DEPARTMENT OF AGRICULTURE APPROPRIATIONS FOR 1959

HEARINGS

BEFORE THE

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH CONGRESS

SECOND SESSION

SUBCOMMITTEE ON DEPARTMENT OF AGRICULTURE AND RELATED AGENCIES APPROPRIATIONS

JAMIE L. WHITTEN, Mississippi, *Chairman*

FRED MARSHALL, Minnesota
WILLIAM H. NATCHER, Kentucky
ALFRED E. SANTANGELO, New York
H. CARL ANDERSEN, Minnesota
WALT HORAN, Washington
CHARLES W. VURSELL, Illinois

ROSS P. POPE, *Staff Assistant to the Subcommittee*

PART 2

AGRICULTURAL RESEARCH SERVICE
COMMODITY EXCHANGE AUTHORITY
EXTENSION SERVICE
FARMER COOPERATIVE SERVICE
FARMERS' HOME ADMINISTRATION
FEDERAL CROP INSURANCE CORPORATION
FOREIGN AGRICULTURAL SERVICE
LIBRARY
OFFICE OF INFORMATION
OFFICE OF THE GENERAL COUNSEL
OFFICE OF THE SECRETARY

Printed for the use of the Committee on Appropriations

UNITED STATES
GOVERNMENT PRINTING OFFICE
21494 WASHINGTON : 1958

COMMITTEE ON APPROPRIATIONS

CLARENCE CANNON, Missouri, *Chairman*

GEORGE H. MAHON, Texas
HARRY R. SHEPPARD, California
ALBERT THOMAS, Texas
MICHAEL J. KIRWAN, Ohio
W. F. NORRELL, Arkansas
JAMIE L. WHITTEN, Mississippi
GEORGE W. ANDREWS, Alabama
JOHN J. ROONEY, New York
J. VAUGHAN GARY, Virginia
JOHN E. FOGARTY, Rhode Island
ROBERT L. F. SIKES, Florida
PRINCE H. PRESTON, Georgia
OTTO E. PASSMAN, Louisiana
LOUIS C. RABAUT, Michigan
SIDNEY R. YATES, Illinois
FRED MARSHALL, Minnesota
JOHN J. RILEY, South Carolina
ALFRED D. SIEMINSKI, New Jersey
JOE L. EVINS, Tennessee
JOHN F. SHELLEY, California
EDWARD P. BOLAND, Massachusetts
DON MAGNUSON, Washington
WILLIAM H. NATCHER, Kentucky
DANIEL J. FLOOD, Pennsylvania
WINFIELD K. DENTON, Indiana
TOM STEED, Oklahoma
HUGH Q. ALEXANDER, North Carolina
CHARLES A. BOYLE, Illinois
ALFRED E. SANTANGELO, New York

JOHN TABER, New York
RICHARD B. WIGGLESWORTH, Massachusetts
BEN F. JENSEN, Iowa
H. CARL ANDERSEN, Minnesota
WALT HORAN, Washington
GORDON CANFIELD, New Jersey
IVOR D. FENTON, Pennsylvania
ERRETT P. SCRIVNER, Kansas
FREDERIC R. COUDERT, JR., New York
CLIFF CLEVENGER, Ohio
EARL WILSON, Indiana
BENJAMIN F. JAMES, Pennsylvania
GERALD R. FORD, JR., Michigan
EDWARD T. MILLER, Maryland
CHARLES W. VURSELL, Illinois
HAROLD C. OSTERTAG, New York
FRANK T. BOW, Ohio
HAMER H. BUDGE, Idaho
CHARLES RAPER JONAS, North Carolina
MELVIN R. LAIRD, Wisconsin

KENNETH SPRANKLE, *Clerk and Staff Director*

DEPOSITED BY THE
UNITED STATES OF AMERICA

DEPARTMENT OF AGRICULTURE APPROPRIATIONS FOR 1959

TUESDAY, FEBRUARY 4, 1958.

AGRICULTURAL RESEARCH SERVICE

WITNESSES

ERVIN L. PETERSON, ASSISTANT SECRETARY OF AGRICULTURE
DR. B. T. SHAW, ADMINISTRATOR, AGRICULTURAL RESEARCH SERVICE
DR. T. C. BYERLY, DEPUTY ADMINISTRATOR FOR FARM RESEARCH, AGRICULTURAL RESEARCH SERVICE
DR. G. W. IRVING, JR., DEPUTY ADMINISTRATOR FOR UTILIZATION RESEARCH AND DEVELOPMENT, AGRICULTURAL RESEARCH SERVICE
DR. H. K. STIEBELING, DIRECTOR, INSTITUTE OF HOME ECONOMICS, AGRICULTURAL RESEARCH SERVICE
DR. M. R. CLARKSON, DEPUTY ADMINISTRATOR FOR REGULATORY PROGRAMS, AGRICULTURAL RESEARCH SERVICE
DR. E. C. ELTING, DEPUTY ADMINISTRATOR FOR EXPERIMENT STATIONS, AGRICULTURAL RESEARCH SERVICE
DR. H. C. KNOBLAUCH, ASSISTANT ADMINISTRATOR FOR EXPERIMENT STATIONS, AGRICULTURAL RESEARCH SERVICE
EDMUND STEPHENS, DIRECTOR, BUDGET AND FINANCE DIVISION, AGRICULTURAL RESEARCH SERVICE
CHARLES L. GRANT, DIRECTOR OF FINANCE AND BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

Mr. WHITTEN. The committee will come to order.

We now come to the Agricultural Research Service. We have with us Mr. Peterson, Assistant Secretary.

Mr. Peterson, if you would prefer to lead off with a general statement, we would be glad to have that.

GENERAL STATEMENT

Mr. PETERSON. Thank you.

Mr. Chairman and members of the committee, we are glad to present for the consideration of this committee our proposals for the 1959 fiscal year budget covering the Agricultural Research Service of the Department of Agriculture. We appreciate the careful scrutiny and objective attention which this committee gives to these discussions of the budget proposals before it. It is our purpose to provide as full and complete information as we possess, and afford our full cooperation to the committee to aid you in reaching your conclusions with respect to the matter now before you and such addi-

tional proposals as you will be considering in the course of these hearings.

We believe strongly in the benefits derived and to be derived from research into the many phases and processes of agriculture and its related areas. While we do not maintain that research alone will provide solutions to all agricultural problems, we do believe it is a prime factor in having brought American agriculture to its current high level of efficient production.

It is largely as a result of having developed an highly efficient agriculture that we have been able to develop as a highly industrial nation and to develop a relatively high standard of living.

CHARACTERISTICS OF MODERN FARMING

In this setting farming is characterized by high capital investment, growing cash operating costs, increasing dependence upon the nonfarm community, increased financial risk, need for competence of farm management, and markets largely dominated by the buyers' point of view. At the same time farmers are beset with technological problems involving all phases of the production enterprise. Of growing appreciation and economic importance also are problems of soil and water management. Processing, distribution, and marketing also grow in complexity and are influenced both by new knowledge stemming from science and technology, and by consumer habits and preferences. While these developments have been taking place relatively little knowledge has been provided as to the economic advantages or disadvantages to farmers of such alternatives for production as are available to them.

RESEARCH ORGANIZATION

Research and research organization are beset with requests to answer a growing number of questions in almost every area of agriculture. They are not yet fully equipped to do so. While progress has been good and in some cases dramatic there are yet weaknesses to be overcome.

Organizationally agricultural research is well developed. There is a Federal structure which is competently manned and capable. Through the land-grant colleges and universities a decentralized agricultural research system is maintained through which problems of State and local importance are being attacked. Cooperative relations between the USDA and these institutions are excellent. There is full interchange of views, appraisals, and information as well as joint and cooperative effort in many lines of research.

The application of the total publicly supported agricultural research effort is, we believe, well organized and efficient. There is, however, much to be done.

Research must anticipate the economic problems involved in changes in farming technology and help farmers anticipate and prepare to meet them. Research must anticipate the needs of consumers in a growing urban population and help farmers provide high quality products at prices fair to all concerned. And research must anticipate and develop industrial needs for raw materials and help farmers meet these needs with adequate and stable supplies of agricultural products meeting required quality standards.

UTILIZATION RESEARCH

We must accelerate our research to find new uses and new markets for agricultural products. We are recommending for your consideration an appropriation increase of $5 million for utilization work.

Of this amount, $400,000 is for the Forest Service to strengthen utilization work on forest products. During fiscal year 1959, this increase would be used to replace the present boiler plant at the Forest Products Laboratory at Madison, Wis. Thereafter, the funds would be used for expanding research at the laboratory.

The major share of the proposed increase—$4.6 million—would be used to strengthen utilization research and development in the Agricultural Research Service. In addition, that agency would provide another $805,000 by redirection of work within present funding base, thus making available a total of $5.4 million more for utilization research under its 1959 appropriation.

You are familiar with many of the developments that are coming as a result of previous work in the field of utilization. For example, some 300 million pounds of surplus fats are now finding outlets in livestock formula feeds. Additional millions of pounds are going into plastics and other industrial products. We have evidence that there are areas in which agriculture can acquire industrial use for various of its products as a result of research finding the way for industrial use.

In recommending the increase in our utilization research funds, we have given highest priority to those commodities that are currently in greatest supply. We propose to use most of the increase for utilization research on cereal grains ($1.9 million); cotton ($800,000); fats and oils ($1.35 million); and milk ($500,000).

We are proposing an increase of $150,000 in our work of screening the world's plants in a search for new crops which will provide industrial raw material and which will be fully competitive with other industrial raw materials. The rest of the increase is divided among wool, fruits, vegetables, sugar, meat, hides, and leather.

PUBLIC LAW 480 FUNDS FOR UTILIZATION RESEARCH IN FOREIGN COUNTRIES

We contemplate also using Public Law 480 funds to utilize the scientific capacities and facilities available in other countries, especially those in Western Europe and Japan to advance knowledge for the use of our agricultural products. We believe very specific benefits to American agriculture will accrue from utilization research conducted in foreign institutions having highly trained, scientific personnel with specialized experience, and particularly suitable techniques and facilities.

We believe this program can help to foster greater sales of our agricultural commodities abroad. As you know, there are limitations in various countries to the use of some of our products. For one reason or another, some of our exported crops do not fully meet the particular quality requirements of their markets. We believe utilization research can discover means for modifying the qualities possessed by our exported crops, so that limitations on their use in foreign markets will be lessened or removed. By having the countries' own scientists solve these problems, we believe the adoption of improved

processes and products by their own users would be speeded and additional markets for our farm products would be opened.

Many foreign scientists, particularly those in Europe, have excellent capabilities in the field of basic research, which is the type of research most needed in development of wider uses for our agricultural commodities. We contemplate that much of the research undertaken in foreign institutions will be of a fundamental or basic nature. For example, we would expect to use their talents in identifying and characterizing the components of agricultural products for which we want to find new uses. This basic knowledge will then be applied to problems associated with our exported crops or applied in our own laboratories in the development of new products from agricultural commodities in this country.

This international research program will be carried out under contract or grant arrangements and will be carefully coordinated with research undertaken by the Department within the United States. If this program meets with the success anticipated, we would like to see it continued as long as Public Law 480 funds are available.

Dr. G. E. Hilbert is now in Western Europe surveying the potentialities and assembling information that will serve as a basis for negotiations on specific projects. We hope by July 1 to have underway research contracts involving some 1½ to 2 million dollars of Public Law 480 funds. And our plans call for the similar use of some $5 million during fiscal year 1959.

Adding this amount to the approximately $21 million utilization budget proposed for the Department would give us a total of about $26 million for this work during the coming year. This compares with $17 million available for utilization work in fiscal year 1958. We believe the expanded program will help us to advance further and faster toward achieving the widest possible utilization of our farm products.

BUDGET ESTIMATES FOR OTHER RESEARCH PROGRAMS

In view of our request for an increase in utilization research and development—and in view of overall financial limitations in carrying forward the work of the Government at this time—we are proposing that payments to State agricultural experiment stations and our farm research budget in the Department be held essentially to the 1958 level. We have indicated a small number of reductions in our farm research in areas where they can be made without serious damage to agriculture as a whole. These reductions amount to $805,000 and involve such research as that on fur farming, sugar sorghums, and the development program at the National Arboretum.

We realize that some farmers and others who benefit from this research will be affected by these cuts. We recognize the importance of these research programs and regret the necessity to cut back at all. We have concluded, however, that some tightening of our belt is necessary to provide for the research that is most urgent at this time.

I want to emphasize that these proposed reductions do not indicate a lessening of our interest in farm research. There is no doubt that farm research—both in the Department and at the State experiment stations—must be continued and strengthened at the earliest opportunity.

As our population grows—and it is growing most rapidly—more and more people will become dependent for their food and fiber on a smaller and smaller portion of our population—our farmers and ranchers.

In the light of these developments, agricultural research has the increasing workload of helping farmers meet the changing needs for agricultural products—and meet them at reasonable costs both to producers and consumers. We believe the research record justifies continued confidence that its benefits to farmers and to those who depend upon them can be continued and enlarged.

We all recognize that agricultural efficiency is a combination of good farming, good marketing, and good utilization. And to be truly effective, research must reflect a reasonable balance and continuity among these three essentials.

Over the years, we have made our research effective by placing high value on the close working relationships between the Department and the land-grant colleges. I believe wholeheartedly in this Federal-State cooperative system. It has demonstrated both its workability and its worth. I believe it to be capable of undertaking any task—within the area of its competency—and delivering full value for the public support upon which it rests.

Federal-State cooperation is paying off in other areas too. I am thinking particularly of the fine progress being made through our cooperative efforts in controlling serious agricultural pests and diseases.

I'm glad to report that we have made a good start in our eradication programs against the imported fire ant and the screwworm fly in the South.

FIRE ANT

As you know, the imported fire ant has invaded much of the South since the first of these insects slipped into the bay front area of Mobile, Ala., some 30 years ago. The ants have now become a major problem in nine Southern States, and they are still on the move.

Our counteroffensive is a joint venture of the Department, State departments of agriculture and plant boards, county and city organizations, and property owners. The cost of the program is being shared by the Federal Government and State and local sources.

Insecticidal treatments of infested areas are now going on, and quarantines are being used to regulate the movement of materials that might contain the fire ant. At the same time, scientists are pushing forward in their search for more effective methods of control—especially methods that will permit smaller doses and hence cheaper treatment. Great care is being taken to minimize any hazards to fish and wildlife. State and county advisory committees are helpful in planning and carrying out projects tailored to local conditions. Each area is studied carefully before work is begun.

We are geared for a long hard struggle against this tough and insidious pest. And it will call for the cooperation of every citizen in the South. But if we keep at it, we are pretty well convinced we can eventually get rid of the fire ant. Our 1959 budget proposes a continuation of support at the 1958 level.

SCREWWORM

In our cooperative program to eradicate the screwworm from the Southeast, we've had the weather on our side. Because of low temperatures in recent weeks we believe that the fly population has been substantially reduced in north Florida. In order to take advantage of this favorable situation, we began releasing sterile male flies a couple of weeks ago in areas where this reduction has occurred. It is our belief that by establishing this buffer zone, we can prevent the flies from going farther north when the spring season opens up.

If this plan works out, we will have a much smaller area to be cleared of the screwworm fly when we begin our full-scale operations sometime next summer. At that time, we expect to be producing and releasing sterile flies at the rate of some 50 million per week.

As an adjunct to the eradication operations, we plan to maintain service at inspection stations to assure that no screwworm-infested animals come in from infested areas of the West.

Total cost of the program in 1959 is estimated at $4.5 million. It is anticipated that Florida will provide $1.8 million and the other States involved about $250,000. We are therefore proposing an increase of $900,000 in the Department's share for use during the coming fiscal year.

INCREASES FOR OTHER REGULATORY PROGRAMS

We're also recommending an increase of $100,000 in our plant quarantine program in order to take over full responsibility for foreign plant quarantine work in Florida. Since shortly after the inception of the Federal foreign plant quarantine program, the State Plant Board of Florida has borne most of the expense of the work in that State. The plant board has given notice that it cannot continue to carry this work, which it feels is a Federal responsibility, after June 30, 1958.

Other increases proposed in our regulatory budget include $150,000 to meet the additional workload of Customs Service inspection of passengers' baggage; $39,300 for the work in evaluating registered labels on pest and disease control products in compliance with Public Law 518; and $500,000 to help us meet the need and demand for adequate meat inspection in federally inspected meatpacking plants. The dispersion of this work to new plants in additional cities and towns continues to place a heavy drain on our present force.

BRUCELLOSIS ERADICATION

Our final recommendation concerns a change in the method of financing our brucellosis eradication program. The 1958 appropriation is approximately $4 million for this work, and in addition, we are authorized to transfer up to $20 million from CCC funds. So far, we have allotted $17.4 million from these transfer funds, giving us a total of some $21½ million for brucellosis eradication work this year. This authority to use Commodity Credit Corporation funds expires on June 30, 1958.

We are proposing for your consideration that the Federal share of the fiscal year 1959 program be financed entirely from an appropriation made to the Agricultural Research Service. We are recommend-

ing that the appropriation be increased from $4,139,300 to $15 million in 1959. Although this represents a reduction of about $6 million below the 1957 and 1958 level of operations, it still provides for a substantial program, and we believe it will enable us to proceed at a reasonable rate of progress. This proposal would place the program on a pay-as-we-go basis.

RESEARCH ADVISORY COMMITTEES

Finally, I'd like to report on the steps that have been taken in response to the statement in your committee report last year expressing disappointment in the work of the advisory committees established pursuant to the Research and Marketing Act of 1946.

This expression by the committee has been a matter of deep concern to us in the Department and to the 300 members of the 25 commodity and functional advisory committees. In response to your suggestion that these groups review their basic purpose, the Agricultural Research Policy Committee, assisted by two consultants, is conducting a study of the activities of all the committees. As part of this study, a Policy Committee member is attending each of the 1957–58 annual advisory committee meetings, which will be completed February 28. The Policy Committee has scheduled a meeting on March 3 and 4 for the development of a report to be submitted to the Secretary of Agriculture.

With your permission, therefore, we would like to defer our review with you of the value of these committees and the possibilities for adjusting their operations to most effectively serve the purposes for which they were established. Needless to say, all of us are most anxious that the work of these committees be reflected in a continually improved research program that will meet the needs of agriculture and the Nation.

Dr. Shaw and his associates are here to discuss the budget in more detail, and we will all be glad to try to answer any questions you may have.

USE OF PUBLIC LAW 480 FUNDS FOR UTILIZATION RESEARCH

Mr. WHITTEN. Thank you, Mr. Peterson.

I have before me your letter of January 13 addressed to me as chairman of this committee in which you go into the use of Public Law 480 funds in connection with agricultural research in foreign countries. I would like to include this in this record at this point.

(The letter above referred to is as follows:)

DEPARTMENT OF AGRICULTURE,
Washington, D. C., January 13, 1958.

Hon. JAMIE L. WHITTEN,
Chairman, Subcommittee on Agricultural Appropriations,
House of Representatives.

DEAR CONGRESSMAN WHITTEN: Public Law 480 contains authority permitting us to use foreign currencies, made available through sale of surplus agricultural commodities abroad, to support utilization research in foreign universities and research institutions. During the past several months, we have been considering most carefully the probable effectiveness of such a program, by which we would avail ourselves of the efforts of capable scientists in foreign institutions, to conduct research under contract or grant directed toward further facilitating the marketing of United States agricultural commodities in foreign countries. This consideration has led us to conclude that the initiation of such a utilization research program

in foreign institutions would be to the benefit of United States farm producers, and we are now taking the first steps toward its initiation. We believe that the research results obtained through such a program will open up new markets and will also help to overcome some of the difficulties we are experiencing in exporting a number of our commodities and their products at the present time.

Some of our commodities are more difficult to process than those of foreign origin. Foreign users of soybeans claim that Chinese varieties of soybeans are easier to process to food products than United States varieties. We are convinced that intensive utilization research on these varieties will provide the answers which will lead to improvements in processing methods and products that will permit greater acceptance of our soybean exports. The use of chemical additives for the preservation of some of our commodities and their products is meeting objection in foreign countries. In a number of instances foreign food laws do not permit chemical additives in food products. Development of research methods for preserving and extending the life of our products which would satisfy the requirements of foreign food laws would overcome this barrier. The problems mentioned above are typical of those that will receive attention in our proposed foreign utilization research program.

Utilization research in a number of fields can be carried out successfully in foreign countries, with currencies acquired through sales of surplus agricultural commodities under title I of Public Law 480, and allocated to the Department under section 104 (a) of that act for market development activities. This is especially true of countries in Western Europe and of Japan. Such a research program would have several advantages to the United States:

1. By making use of foreign scientists, we could approach directly the solution of problems associated with the use of our agricultural commodities in their markets.

2. It would enable us to utilize more fully the results of research which has been done and is being done by eminent scientists in these countries.

3. The results of research performed by foreign scientists can be more readily communicated to local processors and manufacturers, which, in turn, should lead to earlier adoption of research results, and consequently, to expansion of markets for United States agricultural commodities.

The carrying out of research directed toward increased industrial, food, and other uses of agricultural products is in line with the purpose of the "Agricultural Trade Development and Assistance Act" to "expand international trade among the United States and friendly nations." The development, through research, of processes and products that better adapt United States commodities to the needs of foreign consumers will make them more acceptable in foreign markets and thus accomplish the purpose of section 104 (a) of the act "to help develop new markets for United States agricultural commodities on a mutually benefiting basis."

We plan, therefore, to undertake such research in foreign institutions having highly trained, scientific personnel with specialized experience, unique techniques, particularly suitable facilities, or strong combinations of these factors which would enable them to carry out specific investigations rapidly and efficiently.

Work will be undertaken in both basic and applied research. Findings developed through a foreign research program also can be applied or translated to a pilot plant scale in our own laboratories for use in this country.

These research programs will be carried out under contract or grant arrangements, and will be carefully coordinated with research undertaken by the Department within the United States. We plan to send a member of our research staff to a number of foreign countries about the middle of January to survey the potentialities and to assemble information which will serve as a basis for future negotiations on specific projects. It is estimated that as much as $1½ to $2 million might be used in the fiscal year 1958, and $5 million in 1959, for research to be carried out over the next 5 years.

In view of the significance of this approach to an intensification of our utilization research program, we wish you to be informed of our plans from the beginning. We shall be glad to consult with you at your convenience, or to furnish any additional information you may wish.

A similar letter is being written to Senator Russell, Senator Young, and Congressman Andersen, and a copy is being sent to Mr. Pope.

Sincerely yours,

E. L. PETERSON, *Assistant Secretary.*

How do you plan to set this up? Is this going to be a line of projects that you already work with here in the United States? Through this means will you get additional funds to do the same work? Or does this cover new lines of work that you are not presently doing? Just how is it to be set up?

PLANS FOR RESEARCH IN FOREIGN COUNTRIES

Mr. PETERSON. Mr. Chairman, so far as the detailed mechanics of the proposed program are concerned, I would like to ask Dr. Shaw or Dr. Irving to describe them to you. They are more informed as to details than I. So far as the general question is concerned, you will recall I believe it is 25 percent of the funds generated by Public Law 480 sales are to be used for market-development work in the country of origin. We are putting considerable quantity of commodities into a number of foreign countries through the provisions of the 480 Act. We think based upon such information as our research people have and our market people have about these countries, that by using in some of the countries the research facilities and technical people available in those countries, we can do basically two things: The undertaking of the basic studies of the components of these agricultural commodities holds the potential for discovering additional uses for them; secondly, by determining through research how to modify some of the commodities we are moving abroad we can improve their market acceptability and thus increase both the size of the present and future market.

Now, as to the mechanics of how this program could operate, I think Dr. Shaw or Dr. Irving could give that to you in more complete detail.

Mr. WHITTEN. Where you have a regular research staff of the Department in the various States would it be possible for those people to be assigned to some foreign research station? For the time they are away, would they be paid in the foreign currency where assigned?

I am trying to find out whether you could move your own people over there, or is this a case of contracting with the people in foreign countries to do the whole job?

Mr. PETERSON. This would be a case of contracting. We do not believe—and I am giving you my personal opinion—we have authority to pay our own employees in foreign currencies unless we were to pay them equivalent with it convertible into dollars, to pay the equivalent in dollars in the salary they are authorized to receive under the civil-service laws applicable to their position.

Mr. WHITTEN. So the work will be done by foreigners in foreign countries?

PERSONNEL FOR RESEARCH ABROAD

Dr. SHAW. Yes, to a great extent. There is this one angle, Mr. Chairman, I would like to mention. We will try when we effect an agreement, for example, with an institution in England or in one of the other foreign countries, to provide opportunities for some of our newly graduated scientists in this country to go there and work as their employees, the foreign institution's employees, paid for by the foreign funds. But our angle would be for our young folks to gain experience working abroad with foreign scientists and then return to our laboratories and be employed here as United States employees.

Mr. WHITTEN. So you would not expect many Americans to work under this program?

Dr. SHAW. There would not be too many. There would be a small number.

CONTROL OF RESEARCH ABROAD

Mr. WHITTEN. Now, since this is in a foreign country and we would be contracting with them to do the work, do you feel that the work would be primarily for our interest, or would it be used in a competitive way with United States commodities?

Dr. SHAW. We will have full control over the projects that are going to be financed. Dr. Hilbert is over there now with projects and ideas that we think could be developed to our benefit. We will accept suggestions from other countries as to projects, but in all cases we will have the control as to what will be worked on, and certainly we will endeavor in every case to have something that will be of benefit to us. We would not have any other agreement. We will also expect to have in the foreign countries a small staff—we are contemplating not more than 3 or 4 people—who will continually review and watch the progress that is being made. We will have provisions in our agreement that we can stop it at any time we feel that the progress is not satisfactory.

Mr. WHITTEN. Again, how much money do you contemplate obtaining through this channel?

Mr. PETERSON. At the present time we contemplate a maximum use within the current fiscal year of $2 million, Mr. Chairman, and $5 million in the coming year, 1959.

REDIRECTION OF FARM RESEARCH

Mr. WHITTEN. Now, proceeding to another subject, in view of all that money becoming available to you, is it essential that you curtail some of the work at the laboratories and small experiment stations that your budget recommends?

I ask that because I have had a substantial number of complaints about the proposed curtailment of work in 2 or 3 locations down in my own section. In view of this money being available to you, which is in addition to what you had before, is it possible to prevent your recommended course of curtailing the work in some of these small work units, which I am told already now are at such a low level personnelwise that further curtailment almost amounts to closing up the activities?

Mr. PETERSON. Mr. Chairman, I might respond in part to that question. I think it requires a judgment answer. As you know, we have commodities in some lines that can now be marketed; in some places that can be done satisfactorily. We do not know entirely how much utilization research in that area can contribute to develop additional markets. From past experience, we think it can make a contribution beyond what the resources we are now putting into utilization research have been able to make.

In view of—I guess I should say—pressure for trying to explore every possible effort of enlarging markets for commodities which are in that condition, we felt it desirable to make the maximum possible effort; and that maximum possible effort indicated a possible curtailment to the total extent of slightly over $800,000.

Now I think I should say, too, that in many of the field stations which we have, some of which I have personally visited, and to some measure elsewhere, it is my personal view that our physical facilities are not fully adequate to the purposes for which they are being used. We could improve the efficiency of our professional people very materially if in all cases maximum subprofessional support were available to each professional person. We are giving attention to that phase of the operation within the Department. I would anticipate that as subsequent budget proposals are developed we will have recommendations to present for your consideration as to improvements in these areas. But looking at the total research effort in the light of current circumstances of agriculture, it is our judgment enlargement of effort in the utilization research areas would be the most desirable to pursue at this time.

Mr. WHITTEN. Well, we will go into the details of those particular things when we get to them. So we will not belabor the matter further at this time.

PLANT QUARANTINE WORK

I notice a taking over of the job in Florida of foreign plant quarantine. The Federal Government plans to take over the entire job.

Is that what you do in other States?

Mr. PETERSON. If I am correctly informed, I believe that is the case, Mr. Chairman. California has long done some work of this kind.

Now, the quarantines against foreign pests and diseases are Federal quarantines enforceable under Federal authority. And so far as the responsibility for that enforcement is concerned, I don't think we can escape the view that it is a Federal responsibility.

My personal view is that we have been fortunate in that Florida and California both have been supplementing our efforts in those two States with respect to the enforcement of what is in fact a Federal quarantine.

Since Florida gave us notice and we had no basis to insist that Florida accept that responsibility, we thought we had no alternative but to take over.

RESEARCH ADVISORY COMMITTEES

Mr. WHITTEN. I pass now to your comments about research advisory committees and take note of the fact that you will give us a report later.

I think while you are here, it might be well for me to discuss some of the observations which I have made in this field.

I frequently see members of the advisory committees which come to Washington. Almost without exception, the ones I see leave here highly pleased at the fine reception you folks give them. On the other hand, they always have a feeling of frustration so far as being able to get a thorough grasp of this very complex problem during the limited time they are here. It must be limited, in view of the fact that they must be away from their business and because of limited funds.

I wonder if we should not be giving more time to writing these folks about these problems and soliciting from them recommendations in writing.

My further observation is—and I say this because you have gone into it—it looks like all too frequently their time is taken up in determining how much more money they are going to ask for, rather than a review of the research work already underway in the Department.

I am convinced that those folks that I hear from, who believe in research as I do, are led to believe that the way to get more research is to get more money. I am convinced that, if they gave more time to studying the research work that is being done and helped you in trying to get more research results from present work, we would have a sounder research program. In other words, I just do not believe more money is the way to get results.

COMMISSION ON INDUSTRIAL USE OF AGRICULTURAL COMMODITIES

Now, to support that, we had an investigation of the President's Commission on Industrial Use of Agricultural Commodites. That will be included in this volume of the hearings and you will have a chance to study it, and we hope to have your response to that report. Since this Commission is somewhat different from the advisory committees, in that it is set up on a larger basis, it is supposed to give much more time to a study of research needs. Yet a reading of the report has convinced me that this Commission has reached up in the sky and pulled down a set of figures.

According to the findings of our investigations, they did not have time to review what you are already doing. In fact, with many of the things that they recommend as though they are original are things you are already doing.

I would like to say in the record, it is our committee that started to insist that the advisory committees review all your work projects, because we did not feel we could follow each project in detail. I must say I have seen little, if any, evidence that the committee is used at all to review the present work of the Department; but is used to urge new work and new money for it.

BACKLOG OF RESEARCH PROBLEMS

Mr. PETERSON. Mr. Chairman, let me say first, I think I can appreciate the feeling of frustration that some folks get in trying to encompass the total areas that are affected by and which in turn affect research.

I have met from time to time with some, not all, of the advisory committees and have talked with individuals of the committees who have been here in Washington for meetings. I think basically the backlog of funds which would be required to meet the propositions which these committees have made stem from the fact that there are such a multiplicity of unanswered problems that producers, processors, and distributors all have in the total broad area of agriculture.

I would be inclined to interpret the size of that backlog as indicating the fact that agriculture generally has not kept up or achieved a research level comparable with other lines of economic activity.

Now I think it is also proper to observe that effective research is not necessarily related to amount of funds available. And certainly we welcome the observations of you and other members of this committee as to our whole research area in the use of these committees. I think our mutual task—certainly we carry the major responsibility—

is to achieve the maximum of efficiency in the use of research funds which you folks have made available, and that most certainly is our objective.

REPORT OF COMMISSION ON INCREASED INDUSTRIAL USE OF AGRICULTURAL PRODUCTS

Mr. WHITTEN. In connection with this report, I want to review briefly what is involved in this investigator's report on this Commission on Increased Industrial Use of Agricultural Products.

Now, first, our committee asked for data developed by the Commission on such subjects as—

(a) Research already done in this field.

(b) Loss of markets for agricultural products.

(c) Present source of industrial raw materials.

(d) Effect on agricultural production.

(e) Attitude of those supplying raw material which would be replaced.

My purpose in writing the request for this investigation was based on this, if you come up and find that you can use an agricultural commodity for a given purpose in industry, does it replace another agricultural commodity? Second, would the rate at which we could sell such agricultural commodities provide any substantial outlet? Third, what would be the attitude of the present suppliers of raw materials that you had in industry? And then I was very much interested in whether this Commission had made any study of what you are already doing in the field. I point out in this report that Mr. J. Leroy Welsh, Chairman of the Commission, advised that the Commission did not have sufficient time or personnel to gather this background information.

Also, Mr. Welsh advised that the Commission was interested in gathering all potential outlets for farm commodities in industrial use. He advised that he—

instructed the task groups to put down on paper any project for research that they could think of even if it resembled a dream.

It is to be noted from the report that the Commission made no effort to go into the background on this subject before proceeding to recommend a new program. Apparently their sole purpose was to develop a new program, regardless of present work and past experience in the field.

RECOMMENDATIONS OF COMMISSION

Now, we turn to the recommendations of the Commission.

First, to establish a five-member Agricultural Research and Industrial Board, or as an alternative, to place responsibility for program in the Department of Agriculture, under an Assistant Secretary to be in charge of all research and education work. The Chairman of the Commission was in favor of the first method because the USDA moves too slowly, or so he thought.

Second, they recommend funds for this type of research be increased to not less than 3 times present annual appropriations of $16,145,000. Now, I understand that recommendation was made with an admission that they had not had the personnel to study what you are already doing in the field.

Third, it was recommended that 15 percent of the annual gross receipts from customs revenues should be alloted to program, with an annual carryover of not over $150 million to provide continuity.

Fourth, various other recommendations were made as to use of facilities, provision of research grants and fellowships and other incentives, and other operating procedures.

The Commission did not outline in detail the projects to be studied. However, it did suggest illustrative examples. As pointed out on pages 14 and 15 of the report, most of the projects suggested are already being studied by the USDA.

It just strikes me that, once again, the answer proposed is a new program and a lot of new money. Yet, so far as I know, nobody seems to realize that this Commission made no study of what we are already doing in the field, but just thought that more money would do the job.

Have you had a chance to study this report, or do you care to make any statement on it?

DEPARTMENT'S COMMENTS ON REPORT

Mr. PETERSON. We have studied the report of the Commission, Mr. Chairman. As a matter of fact, we testified before the Research Subcommittee of the House Agricultural Committee on the interim report of the Commission. There were two positions that we took at that time, which we still maintain, namely that if additional work is undertaken in the agricultural utilization research field, no other organization is necessary for the conduct of that work—we feel we have the organization, and we have the people in the Department of Agriculture able to undertake whatever level of research the Congress may think appropriate in this area. Secondly, we feel that the earmarking of customs receipts is not a proper procedure for financing if such work is undertaken. We think it more proper to come before the Appropriations Committee of the Congress, where there is continuity of review of our programs and opportunity for Congress to evaluate them. Thereupon such sums of money can be provided as the Congress may feel are justified under the circumstances. That is as far as we have gone. I want to say further, while we think this area of research can profitably be expanded, as I have attempted to state, I also feel the efficiency or results to be obtained in research are not necessarily related to the proportion of money available.

Mr. WHITTEN. Well, I will not belabor that point at this time. I am glad to have your statement. This investigative report, along with the other reports from various other investigations of the Department's activities, will be incorporated in volume I of our hearings. We welcome, in connection with that report, a prepared statement containing any comments that you might wish to make for inclusion in the record in connection with that report.

Mr. PETERSON. Thank you, sir.

Mr. WHITTEN. You need not add anything further at this point.

QUALITY REQUIREMENTS FOR FOREIGN MARKETS

Mr. MARSHALL. Mr. Secretary, in your statement you make the statement:

For one reason or another, some of our exported crops do not fully meet the particular quality requirements of their markets.

Could you give me a couple of examples of that?

Mr. PETERSON. May I ask Dr. Irving, who is in charge of our utilization research, to comment on that? He is more fully informed.

Dr. IRVING. Perhaps one of the best examples is the case of our soybean exports to Japan. The exports of American soybeans to Japan are just about at an alltime high, and we are very pleased with that. We believe, however, that our exports could be further increased if certain obstacles could be removed. We do not mean there is anything wrong with our soybeans, but we know that the Japanese feel the hand-harvested Chinese beans they are accustomed to are easier to process than our soybeans. We believe we can, through research, particularly using their own scientists to do the research, show them how they can process our soybeans to give them food products satisfactory to them.

As another example, Western Europe has been absorbing a lot of our edible fat materials. They are becoming insistent now that these fat materials contain no chemicals such as antioxidants, which are commonly accepted by the Food and Drug Administration in this country. We believe the scientists themselves in Europe, who could do research on these problems, could either see their way clear to recommend acceptance of our fats which contain additives or find additional ways to use our high-quality fats that contain no additives.

Mr. MARSHALL. What seems to be the major difficulty with the beans we send to Japan? What do they want to improve?

Dr. IRVING. They want to improve the texture of the cooked soybean and the products derived from cooked soybeans. This is, of course, a use to which we do not put them in this country. Our soybeans are bred for mechanical harvesting and almost exclusively for crushing to oil and meal. In the Orient they are used as food.

REDIRECTION OF FARM RESEARCH

Mr. MARSHALL. Thank you. In your statement you made mention of cutting down on some programs in order that we may spend it on the control of pests and also a matter of improving the research on grains.

Mr. PETERSON. Well, we propose, Mr. Marshall, in this budget, to reduce several enumerated areas on farm research in the amount of about $800,000, in order to make available the funds we are suggesting for utilization research; and the bulk of the increase in the regulatory funds comes from placing the brucellosis eradication program on a pay-as-you-go basis rather than borrowing from Commodity Credit Corporation and repaying by an appropriation in the following fiscal period.

AVAILABILITY OF PUBLIC LAW 480 FUNDS FOR OTHER RESEARCH

Mr. MARSHALL. It is my understanding that the Department of Agriculture is spending some time and effort and funds in some countries in Latin America in order to extend the growing season.

Mr. PETERSON. I do not have the details on that.

Do you, Dr. Shaw?

Dr. SHAW. Not in our program, it might be ICA.

Dr. CLARKSON. Perhaps you are referring to the work on determining resistance to plant diseases. With cereal crops particularly by growing them there and growing the same crops here we can speed up our research work.

Mr. MARSHALL. I did not make myself as clear as I ought to. Some of the money we have been spending on rubber development. Some of the money that we spend in learning control of diseases such as rust on wheat. We are able to provide more than one crop a year on that basis because of their climatic conditions; and that was the sort of thing I was directing my attention to and thinking in terms of this 480 money.

Costa Rica, for example, a considerable amount of work is being done in that area. Could not 480 funds be used to replace some of the funds that we are spending?

Mr. PETERSON. I am not sure about that, Mr. Marshall. A portion of the currencies are available for market development work in the country of origin, and that is the framework in which we are proposing to use the funds for utilization research, asserting that that research has a potential for increasing the market acceptability of those products in the countries where those 480 funds are developed. Now, whether or not we could use 480 funds to pay other expenses that we have, I am not sure. To the extent that there are 480 funds in those countries, I think it would be entirely appropriate to relieve our budget here to pay for such activities that are otherwise carried on. I am not sure of the extent of funds available in Central American countries.

Mr. GRANT. Mr. Marshall, under Public Law 480, title I, the uses which may be made of the foreign currencies are written into law, and the only purpose for which the Department of Agriculture may use such currencies is for market development. Now, there are other uses, such as loans and grants to promote trade and economic development within the country, military procurement and housing, as well as several other specific items. All of those programs are handled through ICA or other Federal agencies. The only funds that are made available to the Department of Agriculture under the law are for the development of foreign markets for United States agricultural commodities.

Dr. SHAW. While I have had no formal legal advice on this, I have discussed almost the exact proposal that you make with the Foreign Agricultural Service. I asked whether we could do some of the work, for instance the testing of our cereals in nurseries that we established in some South American countries; and was informed that we could not.

Mr. PETERSON. May I interpose a question, Mr. Marshall. I am not sure but I understood that some of the 480 funds are used to pay costs of certain military installations, and so forth, in foreign countries. When we incur costs in foreign countries; I wonder why we could not pay such costs with 480 funds.

Mr. GRANT. The basic law, specifically authorizes the use of these funds for construction of housing for military employees overseas. Public Law 480 has the effect of limiting the purposes for which the foreign currencies may be used.

Mr. PETERSON. In other words, it would take an amendment to the law to permit us to use such funds for the particular purposes we are here discussing.

Mr. GRANT. That is right.

Mr. MARSHALL. Are we sending research funds, and about approximately how much, to the Inter-American Institute of Agricultural Science?

Dr. SHAW. The United States is contributing. I cannot give you the exact figure, but I would imagine that it is of the order of $250,000 that the United States contributes to the Inter-American Institute. That is through the State Department.

Mr. MARSHALL. Am I correct that we do not supply any 480 commodities to Costa Rica?

Mr. PETERSON. Not to my knowledge, Mr. Marshall. I am not sure.

Mr. GRANT. No, sir; no sales have been made through December 1957.

AGRICULTURAL LABORATORY IN COSTA RICA

Mr. MARSHALL. It was rather interesting to me in visiting Costa Rica to find out what a natural laboratory consists of in the matter of botany and the work the institution is doing. I am wondering if there might not be some way that, using some of our commodities down there under Public Law 480, and principally of dairy products, there might not be some way that we might work out the use of this natural laboratory to our advantage in the matter of research. I am very much impressed with the Institute at Nicaragua and, in my estimation, it is one of the best managed research facilities that I have observed anywhere, and I think the United States can well be proud of every effort that we have put forth in Nicaragua.

It is almost, you might say, the Beltsville of Latin America; and the use that is being made of that laboratory in the training of people who go back in an agricultural way and work in the rest of these South American countries just cannot be measured. They are so immense, it is almost beyond comprehension. So that when you think in terms of defense in the Western Hemisphere, building up the economic development of the Western Hemisphere, Mr. Chairman, I just offhand could not see how it could be done any better than that.

Mr. WHITTEN. That is good. I am making observations on the events on which you report, the observations in this area; and it may be that in time we can get such amendments as necessary to make use of these facilities. And your trip, I am sure, will contribute greatly to an awareness of the possibilities that are there.

Mr. MARSHALL. Mr. Chairman, I think it would be interesting—I know I would be interested—If the Department views that work and feels some particular amendment might be necessary, that that might be submitted to this committee. I think it is of that much importance.

Mr. WHITTEN. We would be glad to have any comments or recommendations you might care to make, Mr. Peterson.

NATIONAL ARBORETUM

Mr. MARSHALL. I note in the discussion of funds that you make reference to the development program at the National Arboretum as a part of the reduction that you contemplate on making in that

development program. How much will this delay the completion of the work in connection with the Arboretum? The amount that is involved is, I believe, $185,000 for this year.

Dr. SHAW. With the completion of the contract work in 1958, we think we will have the roads about complete. There will still be a number of trails that have been proposed that will not be complete. The redirection of funds postpones development work at the Arboretum. We still expect to open the Arboretum next spring on a full, round-the-year basis, but the work of completing the trails and constructing some of the greenhouses and small shelter buildings will have to be postponed.

Mr. MARSHALL. Are you thinking in terms of some delay of the greenhouse facilities?

Dr. SHAW. Yes, sir.

Mr. MARSHALL. Have you started any development on greenhouses?

Dr. SHAW. It is proposed to use in 1959, $50,000 for greenhouses.

Mr. MARSHALL. That is included upon the basis of your figures now. That $50,000 does not come within the $180,000?

Dr. SHAW. No; that is outside.

Mr. MARSHALL. I had occasion to sit in with the legislative committee when they were discussing the matter of Botanical Gardens, and some suggestion was made at the time that the botanical garden greenhouses might be incorporated into the greenhouses at the Arboretum. Has that been brought to your attention in any way?

Dr. SHAW. There has been no formal request in the Department for opinion on it, as far as I know. When we saw this report, we did look into the matter and we see no particular advantage of having it combined with the Arboretum.

Mr. MARSHALL. You do not feel there will be any saving?

Dr. SHAW. No.

Mr. WHITTEN. Mr. Natcher?

PLANS FOR INCREASED UTILIZATION RESEARCH

Mr. NATCHER. Mr. Peterson, as you well know, we have tried the soil bank, price supports, acreage control, export subsidies, and plowing under. No one of these programs, in my opinion, has proved entirely successful. I believe that in order to protect the American farmer and agriculture generally today, it is imperative that we continue and strengthen our research, marketing, and utilization programs. What will this extra $5 million be used for as far as utilization is concerned? Just briefly, what do you have in mind?

Mr. PETERSON. The funds, Mr. Natcher, as I pointed out, are intended for use principally upon those commodities we have in greater supply—cereal grains, cotton, fats and oils, and milk. As to a description of the detailed projects, I would ask Dr. Irving, if you wish to have it given in more detail. That is the distribution that we are proposing, that we would make with the funds if they are allowed.

Mr. NATCHER. Mr. Peterson, I believe the President's Commission for Increased Industrial Utilization of Agricultural Commodities has filed its report; is that correct?

Mr. PETERSON. That is correct.

Mr. NATCHER. They made some 400 proposals, approximately.

Mr. PETERSON. They suggested a large number of areas within which, the opinion of the Commission was, that utilization research should be conducted.

Mr. NATCHER. Have you gone over this report as far as the proposals are concerned?

Mr. PETERSON. We have gone over the report—I have personally gone over it. We are concerned with the organization and the methods of funding which the Commission report recommends. I would not want to be understood as accepting the Commission's report in toto.

Mr. NATCHER. I think when the President appointed this particular Commission composed of men like our friend, Frank Welch, and others who are well qualified, I think it is money well spent and time well spent. I think that we have reached the stage where it is imperative that we do considerably more than we are doing at the present time as far as utilization is concerned.

USE OF PUBLIC LAW 480 FUNDS FOR UTILIZATION RESEARCH

Now, Mr. Peterson, in your general statement you point out that a certain portion of Public Law 480 funds will be used in Western Europe and Japan to advance general knowledge for the use of our agricultural products. No portion of Public Law 480 funds are intended for the purchase of agricultural equipment or anything along that line?

Mr. PETERSON. No, sir; not for the research purposes which we propose here. Our proposal envisions the use of contracts and grants with specific spelling out of the purposes of the contract or grant with or to the foreign institution.

Mr. NATCHER. Mr. Peterson, I want to express my appreciation to you and to Dr. Shaw and to all of your other people here for the fine work you are doing. As I said to you in the beginning, I think that we must continue, and strengthen our research, marketing, and utilization programs.

Mr. PETERSON. I might observe, if I may, Mr. Natcher and Mr. Chairman, that, from where we sit, it is necessary to carry forward a balanced program of research. I do not want to leave the impression that the utilization research should be greatly expended at the expense of research in other areas. I have tried to point out there is a very limited amount of information in toto about the alternatives that are physically available to farmers and what the economic consequences would be of accepting them. In some areas, we do not know a great deal about the relation of monetary return to the size of the farm, for example, so I think it important to keep in mind a balanced program of research to serve the whole broad area of agriculture.

Mr. WHITTEN. I would just like to say this, that I am glad to hear your last statement, Mr. Secretary. It is so easy, in enthusiasm for many fine programs, to get into that as against trying to set out sights on what we are already doing and how to get a dollar's worth of value for a dollar spent.

FUNDS FOR UTILIZATION RESEARCH

How much money do you already have in utilization research?

Mr. PETERSON. I believe the figure for 1958 was approximately $17 million, Mr. Chairman. Is that not correct?

Dr. SHAW. That includes the projected $2 million of Public Law 480 funds, so it is only $15,248,000.

Mr. WHITTEN. I would like to refer back to this investigator's report and the report of this commission. In every instance that they pointed out, in my judgment, where industrial use might be made of agricultural commodities, you would have to supply the agricultural commodities almost free of charge, or far below the value of that commodity. So I just hope that we in the Congress will go along with the Department in trying to hold this growth on a steady basis where we will get results.

I would recall to the committee that, when the Research Marketing Act of 1946 was passed, we implemented it with money in the Congress to the point that we almost made marketing experts of elevator operators. There were just no such qualified people available to fill the jobs. And then under our civil-service rules, when you once get a man in there who is poorly fitted for the job, you are stuck with him. And if you finally find a way to get him out, the next time you have an enlargement of the program and they send you a list, his name is on top of the list again.

I hope that the Department will stick to its guns in insisting you are doing a good job and that you have your organization. This Commission comes out with an altogether new program without knowing, so far as our own report shows, what is already done in the field. They readily say they did not have personnel enough to study what you are already doing. I do not believe anybody is more for research than I am—but I am for research results.

Mr. PETERSON. Mr. Chairman, we join you in being for research results. We think we should profit and build on the experience that we have had in the research area. I personally would be most reluctant to branch off on a great program where you have to incorporate large numbers of new personnel all at one time. Now, by that statement, I do not mean to imply that I am not convinced that we could substantially, and should substantially, increase the research efforts in agriculture clear across the whole broad complex in agriculture; and one of the problems is to keep research efforts, with whatever resources, in balance including work in soil and water conservation, in marketing, in production economics, in the problems associated with plant and pest disease. There is a lot of information we would like to have and do not have, which we think research will provide, but certainly we want to build on the experience we have, and just as soundly as we know how.

Mr. WHITTEN. Mr. Santangelo?

Mr. SANTANGELO. I hesitate to ask him some of these questions, as I missed part of his testimony, but I note with interest your work on improving the reporting of information on the price spread and also the publishing of books explaining the difference between the farm and the retail price. Would you amplify that a little for me?

Mr. PETERSON. May I ask Dr. Shaw to respond to that?

Mr. SANTANGELO. Certainly.

Dr. SHAW. When the Agricultural Marketing Service is before the committee, they will discuss the price spread.

Mr. SANTANGELO. In view of the fact that this subject will be discussed in detail later on, I will withdraw my questions.

Mr. WHITTEN. Mr. Andersen?

Mr. ANDERSEN. Mr. Peterson, I wish, as Mr. Natcher and the chairman have already mentioned, to express my appreciation to you people as a whole for the good jobs you are doing in research for agriculture.

Mr. PETERSON. Thank you very much, Mr. Andersen.

Mr. ANDERSEN. I think perhaps we have here one of the most efficient and effective portions of the Department of Agriculture. At least, you represent that portion to me. And it is largely through research in the future that we must look to the permanent solution of many things bothering us in agriculture. We fight today about the degree of price supports and such, about which I do not agree with the Secretary and his logic, but that may well be just a temporary affair. Ten years from now, you people will probably be trying to find out how to produce enough food here in the United States for the teeming millions of people that we do not have on this continent today. The situation may be just the reverse from what we have now. With 35,000,000 more mouths to feed about 10 years from now, I am fully convinced that we are not going to be bothered about this problem of surplus production.

AVAILABILITY OF PERSONNEL FOR RESEARCH

You mentioned one word here, "personnel," the first time you have mentioned it today. I want to ask you a question on that. What is the situation as to good, efficient research personnel as it faces Dr. Shaw's and your organization today? Can you obtain them?

Mr. PETERSON. We have been reasonably successful, we think, Mr. Andersen, in obtaining competent people. It has not been easy. Dr. Shaw may have more details than I have immediately at hand to respond to your question. I could only say that our general position has been to leave positions unfilled unless we could obtain qualified personnel for the particular position to be filled.

Mr. ANDERSEN. Dr. Shaw might enlarge a little on that.

Dr. SHAW. I agree, in essence, with what Mr. Peterson has said. We have been finding competent and qualified people for vacancies, however, we have had to do a more intensive recruiting job than formerly. We now are finding ourselves somewhat at a salary disadvantage with the universities, whereas, a few years ago, we were on a par with them. We have always been behind the industry salaries for our research, but in the last 2 or 3 years, we find ourselves at a salary disadvantage with the colleges, and that is giving us more difficulty. If it continues we will not be able to get as highly qualified people in the future as we have been able to get in the past.

NEED FOR CONDUCTING RESEARCH IN LATIN AMERICAN COUNTRIES

Mr. ANDERSEN. I am thinking, Dr. Shaw, of this type of scientists who are able to get in and do some of this really basic and fundamental research. I believe, and you have often stated to us, that that is really the problem to be solved. We have got to conduct that research if we are going to go on from there, and I am very much pleased and I think it is a good proposition, ladies and gentlemen, that you are taking advantage of Public Law 480, and utilizing some of those local currencies which otherwise are not worth a nickel to us. It is just good

business to utilize some of those funds to advance our knowledge through the highly trained scientific personnel with specialized experience whom you can send over there in Western Europe and Japan and coordinate research efforts, especially along the basic lines, with people in those areas. Now, on that point I would like to suggest this: I do not know as a certainty how much qualified scientific personnel we have down in Latin America, but I do hope that you would add to Western Europe and Japan this Latin American category if there are any spots down there that we can get in and through any 480 funds conduct research.

I believe those people would feel it was more than just conducting a little research on our part. It would bring us a little bit closer to them. I think Mr. Marshall would agree with me, would you not, that in our trip to South America last fall, we found evidence of a great group of fine people who seemed to be more than willing to cooperate with us if we give them the chance to do so.

Mr. MARSHALL. There isn't any question about that.

Mr. ANDERSEN. And don't you also feel that they think we have more or less neglected them in comparison with what we have done over in Europe and elsewhere?

Mr. MARSHALL. Yes.

Mr. ANDERSEN. So I am suggesting here that perhaps it would be well if the Department of Agriculture would extend this 480 proposal down into Latin and South America, if there are places where those funds are available; and, secondly, there are places where you have scientific personnel down there in those particular countries, who are able to get in and collaborate with you.

Mr. PETERSON. Mr. Andersen, on your suggestion, let me say, first, we think this does afford a means of constructively using some of these funds, and we would propose to use them in any country where they are available, including Latin America, where constructive use can be made.

Mr. ANDERSEN. Just so long as you do not forget that area of the world, I am perfectly satisfied, gentlemen, because this might give us one way in which we can go down there and become a little bit closer to them.

Mr. PETERSON. I concur with you, sir.

Mr. WHITTEN. Mr. Horan?

SALARIES OF RESEARCH WORKERS

Mr. HORAN. I want to ask one specific question. I am not entirely satisfied with your reply to Mr. Andersen, because I have talked to some of your very good men in the field, and they explained to me that they are having trouble in recruiting and hanging on to the men that they have. I think it is a little bit aggravated by the same thing that seems to nettle our chairman. We make grants to the States and colleges and apparently they are able to raise their salaries. I assume that whatever we do for them goes into their pocketbooks and enables them to disburse thereby. It is something that troubles us because we have got hold of something that we cannot control, apparently. First, we have the demand to increase, under the Research and Marketing Act, funds to the States and that is all to the good. But I am interested in hanging on to some of our Federal men

and understanding more about the Federal-State cooperative activities.

FLEXIBILITY OF STATE SALARIES

Mr. PETERSON. That is true, Mr. Horan. And let me say that the problem that you have with pears are real problems and they are exemplified in some phase in almost every segment of agriculture. Now, the States have control of their salary levels; we do not. Ours are fixed through the Civil Service structure, as you know. Recently, we have been, we think, somewhat handicapped by a distinction which is being made between the hard sciences and the biological sciences, for example. We are trying to work these problems out and they go slowly. But, as Dr. Shaw pointed out, with the States having more flexibility in the control of their salary levels, they are currently in a position to offer competition so that we are having difficulty in retaining some of our competent people. We have lost a few. We may lose some more unless this general area of compensation in the scientific research fields, including all of them, including the biological sciences, can be properly recognized.

Mr. HORAN. Were you able to encourage the young college graduates to enter the Federal service?

Mr. PETERSON. So far, with more attention to recruiting, as both I and Dr. Shaw pointed out, we have been able to keep most of our positions filled. Now, how long we can maintain that situation, if there gets to be a wider spread and a wider demand for these people, is a matter of conjecture at this point.

INEQUITIES IN SALARIES OF SCIENTISTS

Dr. SHAW. The more serious area, Mr. Horan, that Mr. Peterson referred to on this difference between biological sciences and chemists, physicists, and engineers, is one that is causing a lot of morale problems at the present time. It is the rule now in Government that you can hire a Ph. D. chemist without experience at $7,465. You can hire a Ph. D. agronomist without experience for $5,440. In other words, there is a $2,000 spread between what we can pay for a chemist who has just received his Ph. D. and an agronomist, and that is serious as far as we are concerned, and we are trying to get it corrected.

Mr. HORAN. Who arrived at those decisions?

Dr. SHAW. There are two decisions involved. One is that the Civil Service Commission has stated that the qualifications for a grade 11 position in chemistry, physics, and engineering, is a Ph. D.; whereas they say that the qualifications for a grade 9 in the biological field is a Ph. D. So that is a $1,000 grade differential. Then the action taken by the Civil Service Commission, which became effective on December 29, 1957, raised all chemists, physicists, and engineers to the top of their grades. This put another $1,000 spread on it, so that currently there is a $2,000 differential. They have taken the action on the basis of legal authority to raise salaries where it is found that the Government cannot employ at the current rates.

Mr. HORAN. How are you making out with agronomists now?

Dr. SHAW. We are in trouble, and we are trying to get the same rule put into effect for hiring new Ph. D. agronomists at grade 11, the same as you can hire a chemist at grade 11.

Mr. HORAN. We make grants to States and they are able to outbid us where we think we are justified in employing certain scientists, Mr. Chairman. And I think an overall weighing of the factors here is called for if we get what we expect to get out of research, because it has to be done by men of imagination and considerable background, and it is a problem. I remember—I think you had 4 or 5 outstanding men as the heads of our regional laboratories since I have been on the committee. And they are all good men, but private industry hired them away. I had the privilege of visiting one afternoon with Dr. Baver over in Hawaii—that is non-Federal; that is run by the industry—and he was telling me how he was meeting some of his personnel problems, each on an individual basis.

SALARIES OF OTHER RESEARCH WORKERS

Apparently this problem is broader than your problem. It must be the problem of research everywhere, except in some of those highly subsidized industries like missiles and airplanes and that sort of thing, where again the Government is probably making it possible, they are able to attract men at almost fabulous salaries. I think some of them level off at around $27,000 to $30,000, and in the same field of competition we are trying here to consider and to appropriate for agricultural research. It poses problems that concern me when we try to retain men who are trying to do a job in agricultural research in the field. And it is something, Mr. Chairman, that I think somebody has to take into consideration; and if we can do anything, we should.

Mr. WHITTEN. Mr. Vursell?

INDUSTRIAL USES FOR AGRICULTURAL PRODUCTS

Mr. VURSELL. Mr. Chairman, I want to commend Mr. Peterson, Dr. Shaw, and their associates on their presentation before this committee. I think they have done a splendid job for agriculture, and they have been doing it over many years. And I realize their task is probably a little more difficult as the farm program seems to lag in its forward movement toward greater prosperity for agriculture generally. I was particularly impressed with one paragraph here on page 3. May I read it into the record:

> We must accelerate our research to find new uses and new markets for agricultural products. We are recommending for your consideration an appropriation increase of $5 million for utilization work. The major share of the proposed increase—$4.6 million—would be used to strengthen utilization research and development in the Agricultural Research Service.

I think that is fine. And then, further down here, I notice you refer to some result of previous work in the field of utilization, and that you refer to 300 million pounds of surplus fats that are now finding outlets in livestock formula feeds. [Reading:]

> Additional millions of pounds are going into plastics and other industrial products.

And further, you say—

> We have evidence that there are areas in which agriculture can acquire industrial use for various of its products as a result of research finding the way for industrial use.

Now, I know that Senator Capehart has suggested industrial use on a very wide scale for foreign products, particularly turning some

of them into alcohol, and then that could go into a mixture of safflower. Would you care to comment very briefly on some of those suggestions?

Mr. PETERSON. Mr. Vursell, with respect to the conversion of grain into alcohol, any information which we have would indicate that the returns to producers would be so small as to be totally uneconomical. We have, in various of our research activities in the laboratories in connection with the use of starches from grains, uncovered some leads for use of those starches in many different areas of industrial use, which we think have considerable potential. Dr. Irving could give you considerable detail, and I understand he will have an opportunity to describe that later in the hearing.

Mr. VURSELL. Well, our time is very brief——

Mr. PETERSON. But there are many, many areas on the basis of knowledge that we now have which has come from research, which we have conducted in this field, where we think a further effort would uncover economically feasible uses for a quantity of our agricultural commodities.

Mr. VURSELL. I am also pleased with the thought that you propose to spend this extra approximately $5 million on utilization, and I presume probably you will have some for marketing safflower and that you intend to direct this research largely to such things as to research on cereal grains and cotton and some of the basic commodities of the country. I think that is an excellent idea, and I wish you a lot of success along that line, because it could be of great benefit to the farmer.

USE OF PUBLIC LAW 480 FUNDS FOR UTILIZATION RESEARCH

Now, I notice also that you intend to work out some extended use of Public Law 480 funds in foreign countries, and I think that is an excellent idea. As I recall, Japan is one of our heaviest importers of farm products, is that right?

Mr. PETERSON. That is correct. I think last year Japan was fourth in the import of American farm products.

Mr. VURSELL. The fourth?

Mr. PETERSON. I believe that was the case last year.

Mr. VURSELL. I thought I saw some figures showing even higher than that.

Mr. PETERSON. With respect to some commodities, it will rank higher.

Mr. VURSELL. For instance, in the western European countries, I think these people, with the proper cooperation of their scientists and so forth, could probably be taught to use more cornbread over there. You know they won't eat cornbread, and it is very nutritious, as you well know, and it is very palatable. So, I think you could employ the scientists in these countries where we have now established agricultural contacts, where we will not only be able to get the ability of these people for practically nothing with these so-called counterpart funds, but the very fact that they are working with this organization and developing the recommended use of farm products in various forms, with the result that you might find greater uses for food for human consumption. And certainly we would be able to find scientists there who can find many additional uses for farm products in industry. So I think it is a splendid idea, and I hope it will be made possible for us to go on through with it. I feel sure it will bring added results and further prove that Public Law 480 has been one

of the most successful pieces of legislation in helping us utilize our excess farm products. Public Law 480 has done more for the farmers of America than we ever expected it would when enacted into law.

Mr. PETERSON. Thank you, Mr. Vursell.

JUSTIFICATION DATA

Mr. WHITTEN. It might be well to insert at this point pages 1 through 3 of the justifications.

(Pp. 1 through 3 are as follows:)

PURPOSE STATEMENT

The Agricultural Research Service was established by the Secretary of Agriculture on November 2, 1953, under the authority of section 161, Revised Statutes (5 U. S. C. 22), Reorganization Plan No. 2 of 1953, and other authorities. It conducts production and utilization research and the closely associated inspection, disease, and pest control and eradication work. The Administrator of this Service is also responsible for the coordination of all research of the Department.

The program of the Agricultural Research Service is organized under three areas of activity as follows:

1. Research is conducted under three major categories: (*a*) Farm research (research on crops and livestock, and farm and land management research); (*b*) utilization research and development research; and (*c*) home economics research.

2. Regulatory activities are conducted under three major categories: (*a*) Plant disease and pest control; (*b*) animal disease and pest control; and (*c*) meat inspection.

3. The Service administers the Federal-grant funds for research at the State agricultural experiment stations and operates experiment stations in Puerto Rico, Virgin Islands, and Alaska.

The Agricultural Research Service also carries out emergency programs, when necessary, for the control and eradication of animal diseases, such as foot-and-mouth disease and vesicular exanthema of swine, and for the control of emergency outbreaks of insects and diseases.

The Agricultural Research Service maintains a central office in Washington, D. C., and operates the 12,000-acre Agricultural Research Center at Beltsville, Md. However, most of the work is conducted at approximately 475 other locations in the United States, Territories, and possessions and several locations in foreign countries. Much of the work is conducted in cooperation with the State agricultural experiment stations and with other agencies, both public and private. On November 30, 1957, there were 15,159 full-time employees, of which 3,162 were in the Washington metropolitan area and 11,997 were located at other points in the United States, Territories, and possessions, and foreign countries.

	Appropriated, 1958	Budget estimate, 1959
Appropriations:		
Salaries and expenses:		
Research	$57,794,890	$60,744,890
Plant and animal disease and pest control	30,082,000	42,132,000
Meat inspection	16,826,000	17,326,000
Total	104,702,890	120,202,890
State experiment stations:		
Payments to States, Hawaii, Alaska, and Puerto Rico	30,353,708	30,353,708
Penalty mail	250,000	250,000
Total	30,603,708	30,603,708
Total	[1] 135,306,598	150,806,598

[1] In addition, a 1958 supplemental appropriation is anticipated to reimburse the Commodity Credit Corporation for funds advanced and expenses incurred in fiscal year 1956 with interest thereon through Mar. 31, 1958, for (1) eradication of vesicular exanthema of swine ($1,393,490); and (2) for the intensified brucellosis eradication program ($17,548,923). These items are included in these justifications under "Special activities."

Summary of appropriations, 1958, and estimates, 1959

Appropriation item	Total appropriated, 1958	Budget estimates, 1959	Increase or decrease
Salaries and expenses:			
Research	$57,794,890	$60,744,890	+$2,950,000
Plant and animal disease and pest control	[1] 30,082,000	42,132,000	+12,050,000
Meat inspection	[1] 16,826,000	17,326,000	+500,000
Total, salaries and expenses	104,702,890	120,202,890	+15,500,000
State experiment stations:			
Payments to States, Hawaii, Alaska, and Puerto Rico	30,353,708	30,353,708	
Penalty mail	250,000	250,000	
Total, State experiment stations	30,603,708	30,603,708	
Diseases of animals and poultry	[2]	[2]	
Total, appropriations	[3] 135,306,598	150,806,598	+15,500,000

[1] Does not reflect the transfer of $115,000 from "Plant and animal disease and pest control" to "meat inspection" in 1958 pursuant to 5 U. S. C. 572.

[2] Authority to make transfers of $1,270,000 from other funds available to the Department to finance the eradication of vesicular exanthema in swine was provided in 1958, and not to exceed $1,000,000 is proposed in 1959.

[3] In addition, an appropriation was made in 1958 to repay the Commodity Credit Corporation for funds advanced in fiscal year 1956, and interest thereon, for eradication of vesicular exanthema ($1,853,450) and brucellosis ($16,728,210). A supplemental appropriation in 1958 is anticipated to repay the Corporation for funds advanced in fiscal year 1957, and interest thereon, for eradication of vesicular exanthema ($1,393,490) and brucellosis ($17,548,923).

Mr. WHITTEN. Now, Dr. Shaw, you might proceed with your statement.

GENERAL STATEMENT OF THE DIRECTOR

Dr. SHAW. Mr. Peterson has discussed proposed changes in the 1959 budget for the Agricultural Research Service. I would like to comment briefly on our regulatory and research efforts during the past year.

I am pleased to report good progress in several of the Federal-State campaigns against farm pests and diseases.

KHAPRA BEETLE

The eradication campaign against the khapra beetle in the Southwest is in the cleanup stage, but "cleaning up" is likely to take some time. Finding the remaining sites of infestation depends upon tedious and detailed inspection of stored grains in elevators, warehouses, and farm feedlots over a wide area.

MEDITERRANEAN FRUITFLY

Also in the mopping-up stage is the eradication campaign against the Mediterranean fruitfly. The campaign against this insect began with its discovery in Florida in April of 1956. No large area of infestation has been found for more than 6 months, but intensive trapping is still picking up an occasional fly. This difficult stage of the campaign may continue for some time, but we are confident that in the end the Medfly will be eradicated from the United States. Progress made against this pest is a credit to the cooperative eradication effort engaged in by the regulatory people of ARS and Florida, and to the research of our scientists in Hawaii who provided most of the control methods used against the fly.

CITRUS BLACKFLY AND MEXICAN FRUITFLY

Prompt and effective treatment of several infestations of the citrus blackfly in southern Texas in 1956 has apparently eradicated this insect from the United States. Continuous surveys during the past year failed to turn up any of the pests. The success we've had in preventing both the citrus blackfly and the Mexican fruitfly from gaining a foothold in the United States—despite the pressure created by heavy infestations of these pests in Mexico—has been largely due to tight border quarantines, maintained through close cooperation between our Customs and Agriculture inspectors and Mexico's quarantine officials.

BRUCELLOSIS ERADICATION

The Federal-State cooperative effort against brucellosis disease of cattle is making good headway. During the past year, four more States—Delaware, Minnesota, Connecticut, and Vermont—plus the Commonwealth of Puerto Rico became modified-certified brucellosis free. This brings the total number of certified States to nine. We expect to have another half-dozen States certified by the end of this fiscal year.

Modified-certification represents a preferred status. It means that infection does not occur in more than 1 percent of the cattle in not more than 5 percent of the herds. But eradication—not certification—is our ultimate goal, and getting rid of the last trace of brucellosis in the United States is still far in the future. The wide public acceptance and broad support that have characterized this campaign are the best assurances that it will continue to advance at good speed.

HOJA BLANCA DISEASE OF RICE

For many years, it has been our design to maintain close working relationships between the regulatory and the research scientists of the Agricultural Research Service. The advantages of this were borne out once again last fall when hoja blanca disease of rice turned up for the first time in this country in Florida.

Research had given us a head start on this disease and our regulatory group used the advantage effectively. When hoja blanca was found infecting rice in some Latin American countries a few years ago, we looked on it as a threat to our rice crop, and began cooperative tests in those countries to learn what we could about it.

As a result, when hoja blanca showed up in Florida, we were not only able to recognize it and begin destroying the infestation, but we had considerable information concerning its effect on plants and how to fight it. Our plant breeders had already begun testing the rice breeding lines in the world collection for resistance. To date, they have tested some 2,000 varieties and lines and have found nearly 200 short and medium grain stocks to contain varying degrees of resistance. They are now searching specifically for resistance in long grain rice varieties—the kind of rice that is more frequently grown in Louisiana, Texas and Arkansas.

We believe that eradication efforts against hoja blanca in Florida were timely and effective. We think it unlikely that the disease will spread into commercial ricegrowing areas from this outbreak. This coming growing season will confirm or change this opinion. But in

any case, we know the disease exists in nearby countries, and since it reached us once, it may do so again. We hope to be ready for it.

COTTON BREEDING

Other of our crop scientists, working on cooperation with State experiment stations, have taken an important step toward the practical breeding of hybrid cotton. Specifically, they have discovered that treatment of the plants of some varieties of cotton with certain chemicals prevents pollen from developing. This gives them male sterility—and male sterility is the characteristic that has led to the development of hybrid onions and hybrid sorghum. However, male sterility in onions and sorghum is a genetic factor. This is the first time male sterility has been achieved in plants with chemicals. Testing the practicality of this discovery, cooperating scientists in California have already produced hybrid cotton in the field by chemically treating 1 of 2 varieties planted in alternate rows and depending upon bees for cross-pollination.

ANIMAL HUSBANDRY RESEARCH

In fighting disease, breeding for resistance is the chief weapon used by plant scientists. But until this year, animal scientists have found genetic resistance too complex to be useful to them. Now poultry scientists of the Department have discovered a simple, inherited genetic resistance in chickens—resistance to one form of the infectious and cancerous avian leukosis complex. It is too early to assume that this simple form of genetic resistance will be found against all forms of this disease, or against other livestock diseases. But we can be hopeful that, if there is one instance of complete genetic resistance to an infectious animal disease, there may be others.

Another important discovery concerned with animal genetics is research proof that a dairy cow's ability to produce nonfat milk constituents is not tied to her production of butterfat. This means that to a degree, cows can be bred to give milk of specific composition. It is hoped that with this new knowledge, dairymen may eventually be able to produce milk tailored to their markets.

SOIL AND WATER CONSERVATION RESEARCH

Now, I'd like to show you a product of soil and water conservation research. This is a slide rule for estimating water erosion right on the farm, and this spring SCS work unit conservationists in nine Corn Belt States will be using it to help farmers protect their lands from erosion. In effect, this device takes into account such factors as the length and degree of slope of the land, the soil, cropping system, and the conservation and cultural practices that are in use. Using this slide rule, work unit conservationists can estimate the soil loss in tons per acre from any field. And they can use this information to help farmers reach decisions on the best way to handle their land to prevent excessive water erosion.

HOME ECONOMICS RESEARCH

The 1955 national household food consumption survey, has been made public and is being widely used by home economists, nutritionists,

and others who are concerned with the Nation's health. Among other things, it points out that although American diets have improved in the past 20 years almost 30 percent of our families are still not getting enough calcium, and 25 percent are not getting enough vitamin C. Many diets could also include more of the foods rich in vitamin A and the B vitamins.

UTILIZATION RESEARCH

In our search for new uses for farm products, I can report that industry has begun producing vinyl stearate from animal fats as a result of our research in this field. This is a new type plastic with chemically-combined fat. Although current production is small, the many uses for vinyl stearate in the growing field of surface coatings, and in wire coatings and waxes, promises greatly increased future output. We are hopeful that this new product will succeed as well as or better than another of our research-developed products—the vinyl plastic softeners and stabilizers that are being produced from animal and vegetable fats and oils at the rate of about 30 million pounds a year.

Other utilization research concerned with wash-and-wear cottons may greatly improve cotton's competitive position in relation to synthetic fabrics. For example, our scientists, in cooperation with industry and the National Cotton Council, have developed a chemical treatment that results in cotton garments holding creases and pleats through repeated laundering in the household washing machine. The research goal now is a low-cost treating process for use on finished garments. The development of such a practical process could throw the market door wide open for cotton clothing. In 1955, some 175 million square yards of materials of all kinds went into men's summer weight suits and trousers. But cotton claimed only 5 percent of the suit market and 12 percent of the trouser market. There are great possibilities here for cotton garments that resist wrinkling and hold their creases.

REGROUPING OF FUNCTIONS

Research of this type—aimed at the greater use of farm products—was given added emphasis by an administrative regrouping of functions within the Agricultural Research Service during 1957.

This regrouping established a deputy administrator for utilization research and development, putting this area of research on an equivalent organizational level with our on-farm research. In previous years all research has been under a single deputy administrator. This new alinement has eliminated 1 level of supervision in that all of the farm and utilization research divisions report directly to 1 of the 2 Deputy Administrators. Previously, there had been 4 program directors between these 2 levels.

Also in this regrouping, we have continued our home economics work under Dr. Hazel K. Stiebeling but have arranged for Dr. Stiebeling to report directly to the Administrator. Dr. George W. Irving, Jr., is the Deputy Administrator in charge of our four Utilization Research and Development Divisions. Dr. G. E. Hilbert assists Dr. Irving in the management of utilization research, with special responsibility for contract research including that to be done in foreign countries with Public Law 480 funds.

Dr. T. C. Byerly has been placed in charge of the seven farm research divisions. His responsibilities include areas originally covered by livestock research, crops research, and farm-and-land-management research.

Dr. B. T. Simms, who was formerly in charge of our livestock research, recently reached retirement age. He retired June 30, 1957. Dr. K. S. Quisenberry, who had charge of crops research, retired January 31, 1958. Dr. Sherman Johnson, who formerly was in charge of farm and land management research, is now scientific and professional adviser to the Administrator. This change has freed Dr. Johnson of his supervisory responsibilities, so that he can devote full time to overall research on economic problems in agriculture—an area in which he has been prominent for many years.

Dr. M. R. Clarkson continues to supervise the regulatory work, and Dr. E. C. Elting continues in charge of our experiment station program.

SERVICES OF DR. SIMMS AND DR. QUISENBERRY

Mr. WHITTEN. I would like to say that this committee enjoyed the privilege for many years of working with Dr. Simms and Dr. Quisenberry. I certainly know that in their retirement we are losing the active work of two of the finest and ablest men that ever appeared in this committee room, and, I am sure, that the Department ever had. It is my personal view that each of them is outstanding in his field and however accomplished the folks who succeed them may be, it is a very wonderful record they made through the years. I know the committee joins me in wishing them the greatest of happiness during the years of their retirement, and many long years of life. And I am sure they will continue their interest and efforts in agriculture.

While not working full time in it for the Department of Agriculture, I know they are contributing their share in these fields where they have been outstanding for so long.

Dr. SHAW. We appreciate those remarks, Mr. Chairman; and I want to assure you that we share your view entirely. They are very able men and we are going to miss them very much.

Mr. HORAN. Could we have their biography and their background in terms of service with the Government?

Mr. WHITTEN. I am sure you folks are friends of theirs and would take pleasure in bringing together that information that might be inserted at this point in the record.

Mr. PETERSON. That we very definitely would, Mr. Chairman, and we thank you for that privilege.

(The biographies referred to are as follows:)

BIOGRAPHY OF DR. BENNETT T. SIMMS

Dr. Bennett T. Simms, an internationally recognized scientist in the fields of veterinary medicine and livestock research, retired on June 30, 1957, from the position of Assistant Administrator of Production Research, Agricultural Research Service, United States Department of Agriculture.

As chief of the Department's former Bureau of Animal Industry, Dr. Simms led United States efforts in a cooperative program that wiped out serious outbreaks of foot-and-mouth disease in Mexico during 1947–51. The recently constructed $10-million animal disease research laboratory on Plum Island,

N. Y., for the study of foot-and-mouth and other foreign diseases of livestock was planned under Dr. Simms' direction. Under his leadership, also, preparatory planning was made for the animal disease laboratory to be located at Ames, Iowa.

From 1938, when he joined the Department, to 1945, Dr. Simms was Director of the United States Regional Animal Disease Laboratory at Auburn, Ala. He was Chief of the Bureau of Animal Industry from 1945 until 1953, when he was named Chief of the Department's Animal Disease and Parasite Research Branch. In 1955, he was appointed Director of the Department's livestock research programs and in 1957 he became Assistant Administrator of Production Research.

Dr. Simms, born at Emelle, Ala., January 26, 1888, received his doctor of veterinary medicine degree from Alabama Polytechnic Institute in 1911, later doing graduate work at the University of Chicago. From 1911 to 1913, he taught at North Carolina State College. For the next 25 years Dr. Simms was at Oregon State College where he organized and served as head of the school's department of veterinary medicine.

While working at Oregon State College, Dr. Simms and his research associates discovered the first evidence in medical history of an infectious disease transmitted to mammalian animals by an internal parasite. This disease—salmon poisoning—was found to be transmitted to dogs by an internal fluke parasite which the animals obtained through eating fish. Dr. Simms has done research with brucellosis, coccidiosis, lathyrism and ergotism in cattle, fascioliasis, and gastrointestinal parasites in sheep and cattle.

In 1955, Dr. Simms received the 12th International Veterinary Congress prize awarded by the American Veterinary Medical Association in recognition of "many years of unselfish devotion to veterinary science." Early in 1957 he received the first distinguished service research award of the Animal Health Institute, Inc., in recognition of his achievements in the field of animal health research.

Dr. Simms is a past president of the American Veterinary Medical Association, a member of the Washington Academy of Science, a fellow of the American Association for the Advancement of Science, a member of Sigma Xi, Gamma Sigma Delta, Alpha Zeta, and Beta Theta Pi. His home is in Arlington, Va. He is married and has 4 children, 2 married sons—1 a veterinarian and the other an Associated Press reporter—a married daughter, and a daughter who is a publications writer in the Department.

Dr. Simms is continuing to serve agriculture as acting professor of veterinary medicine at the University of Ankara and Ataturk, Ankara, Turkey, under the auspices of the International Cooperation Administration and the University of Nebraska.

Biography of Dr. Karl S. Quisenberry

Dr. Karl S. Quisenberry, a widely known scientist in the field of small grain breeding research, retired January 31, 1958, from the position of Assistant Administrator of Production Research in the Agricultural Research Service, United States Department of Agriculture. He made major contributions in breeding grains for the hard red winter wheat area and in the organization of small grain research for that area. His work was concerned chiefly with development of improved varieties with winter hardiness, smut resistance, and wheats with superior qualities. He had a major part in the development of such varieties as Pawnee wheat and Kearney barley, and took an important part in the development of such varieties as Trojan and Cedar oats and Velvon No. 11 and Ezond barleys.

Dr. Quisenberry joined the Department in 1925 and served from 1936 to 1946 as director of the regional cooperative breeding program for hard red winter wheat, oats, rye, and barley. From 1946 to 1951 he served as head of cereal crops research in the former Bureau of Plant Industry, Soils, and Agricultural Engineering and was appointed Assistant Chief of that Bureau in 1951. Late in 1953 he became Assistant Director of the Department's Crops Research, succeeding to the directorship in 1956. Since early 1957 he has been Assistant Administrator for Production Research.

Prior to his work in the Department Dr. Quisenberry served for several years as instructor in agronomy and assistant agronomist at the University of West Virginia and the West Virginia Agricultural Experiment Station.

He was born at Denison, Tex., August 2, 1897, received his bachelor of science degree from Kansas State College in 1921, and took advanced work in plant genetics and pathology at the University of Minnesota, receiving the doctor of philosophy degree from that institution in 1930.

Dr. Quisenberry is a fellow of the American Society of Agronomy, a fellow of the American Association for the Advancement of Science, a member of the International Crop Improvement Association, Sigma Xi, Gamma Sigma Delta, Alpha Zeta, Gamma Alpha, and Phi Kappa Phi. He served in the Army in World War I. He is married, has a married son who is a nuclear physicist, and a married daughter, and also has two grandchildren.

At present Dr. Quisenberry is in South America serving as consultant to the Rockefeller Foundation in Chile and the North Carolina Agricultural Experiment Station in Peru, thus continuing his distinguished service to agriculture. He expects to make his home in Florida at the expiration of his present assignment in South America.

BASIC RESEARCH STRENGTHENED

Dr. SHAW. In addition to these realinements, we also took a further step last year to strengthen our basic research. In recent years, we have been giving increased attention to the fundamental aspects of agricultural science because we believe this is the surest way to solve agriculture's problems.

In 1947, about 7 percent of the Department's research resources were going into basic research. We have increased that to 17 percent in fiscal year 1958. Our goal is 25 percent. We believe that this is necessary to provide a firm undergirding for all applied research efforts.

NEED FOR BASIC RESEARCH

Mr. WHITTEN. Dr. Shaw, let me interrupt you there to say that I am glad to see your statement and to know that we are making progress in that direction. That we have not in past years, is no fault of your own. It was just the pressures to obtain money for applied research, to sell to the Congress and to the country the need for basic research.

I mention that here because I do think that is one of the real weaknesses in this Commission's report. I agree with every fear and every desire they have for research results, but I think the starting point is to find out what you are already doing in research. With that as a starting point, we can see how much more we need. Your statement there as to the need for basic research is along the same line. Basic research is the place to find out, to get a starting point, as I understand it, for applied research in future years. Based upon the soundness of the original research, you will find the fields in which to work, as well as the basis on which to work, will you not?

Dr. SHAW. Yes, sir. It is the foundation of all else we do, and funds devoted to this effort are actually, perhaps, the best funds we spend, because the fundamental aspects of research are the least costly of all of the research we do, yet such research provides the most information.

Mr. PETERSON. Mr. Chairman, if you will permit me to make a statement at that point, it is only because this committee has provided the funds for research that it has been possible for us to increase the total percentage of funds going into the basic research effort. We think that with this reorganization, setting up the pioneer research groups, that we can make faster and broader progress in the basic research area.

Mr. WHITTEN. Thank you, Mr. Secretary.

PIONEERING RESEARCH LABORATORIES

Dr. SHAW. The step we took last year was to authorize the establishment of pioneering research laboratories in our several divisions. It will be their role to advance frontiers of science in areas not now adequately covered. For example, plant physiology is of great importance to all of our crops research units whether they be working on cotton, tobacco, or cereals. We have set up a Pioneering Research Laboratory on Plant Physiology in an effort to strengthen our entire crops research effort. The initial studies of this laboratory will deal with the effects of light on plant growth. Dr. H. A. Borthwick, who has made outstanding contributions in this field over the past several years, is providing the leadership for this pioneering research.

Likewise, in the field of soils, we have set up a pioneering laboratory in mineral nutrition of plants.

And I would like to interject at this point that Dr. Sterling Hendricks, the leader of this work, was just recently given 1 of the 5 Presidential awards for distinguished civilian service to our country.

We have authorized laboratories on insect pathology, insect physiology, seed protein, plant fibers, microbiological chemistry, allergens, and blood antigens. We also expect to establish laboratories in plant and animal genetics.

We're making use of our present facilities for these laboratories and are staffing them with scientists who have proved themselves outstanding in other agricultural research.

These laboratories will be small, each staffed with 2 or 3 top scientists and their assistants.

I think you'll be interested to know that the establishment of these pioneering research laboratories has been commended by the Agricultural Research Institute of the National Research Council. The Institute, which is composed of scientists almost wholly outside the Federal Government, commended this as "the single most significant step in decades" to "promote the welfare of the fundamental elements of agricultural science" without which other research must be severely limited in its potential.

VALUE OF AGRICULTURAL RESEARCH

In conclusion, I would like to point out some of the overall benefits to the general public that have resulted from improvements in agriculture.

Farm output in 1956 was 36 percent larger than in 1940. But the total resources—land, labor, fertilizer, machinery, and all other elements of farm production—rose only about 9 percent. Consequently, overall efficiency increased by 25 percent during the decade and a half. If there had been no gain in production efficiency in agriculture from 1940 to 1956, a fourth more resources would have been needed to produce the 1956 volume of farm output.

Thus, in 1956 alone, the resources saved by the increase in efficiency since 1940 amounted to about $7.5 billion.

If the value of gains in production efficiency that have taken place in agriculture since 1920 is similarly calculated, the saving of resources used in farm production in 1956 would be about $12 billion. Once achieved, these gains in production efficiency continue to pay off to the general public year after year.

The resources that are saved are available to produce other goods and services. Therefore, these increases in production efficiency have been basic to the long-term rise in level of living of all our people.

Many factors have contributed to our impressive gains in efficiency of farm production. Although we have no means of measuring its specific contribution, there can be no doubt that agricultural research of the Federal Government and the land-grant colleges has had a dominant role.

That completes my general statement, Mr. Chairman. I will be glad to answer any questions that you may have. We would expect that our people in charge of the various segments of our program would go into the details of each one of these subjects at your pleasure.

CURRENT USE OF INCREASED RESEARCH FUNDS

Mr. WHITTEN. Thank you, Dr. Shaw, for your statement. I will ask you a few general questions, and I trust the committee members will stick to general questions since your associates will go into the details.

For the present fiscal year you have increases in funds for research as against the preceding fiscal year, particularly with regard to soil and water conservation and utilization research. Could you tell us briefly what use was made of these funds and what developments have occurred in the year?

SOIL-AND-WATER CONSERVATION RESEARCH

Dr. SHAW. In the soil-and-water conservation research increase, a substantial part was for the construction of additional laboratory facilities—facilities to be constructed at our Southern Piedmont Experiment Station at Watkinsville, Ga., a new laboratory at Morris, Minn., a hydrology laboratory at Oxford, Miss., and an irrigation efficiency laboratory out in Arizona at Tempe, which is near Phoenix. The plans for those laboratories have all been developed, and we expect that contracts for construction will be awarded very shortly, and that the work will go forward.

You will recall that in connection with those laboratories, the committee directed the development of plans for three of them on the basis that the total cost would be $100,000 in excess of the $450,000 made available for the current year. So we have carried forward $300,000 into this budget for 1959 to complete the efforts at Morris, Minn., Oxford, Miss., and Phoenix, Ariz.

UTILIZATION RESEARCH

In the utilization research area, a large share of the increase was for utilization of cereals. Similarly, there is an increase in this budget for cereals, which is one of our most serious problems of crops in great supply. We have work under the current year's increase underway, but we have very little in the way of results to point up from that specific effort so soon. We will be discussing our progress in the field in general, but as you can appreciate, these new projects have just been started.

Mr. WHITTEN. How many new people have you employed in your programs in the last fiscal year?

Dr. SHAW. The research increases that we obtained last year would enable us to employ 71 additional professional people. By December 31, 1957, we had employed 49 of those, and we expect to have the rest of them employed by about March 31.

RECRUITING PROBLEMS

Mr. WHITTEN. I am glad to see that you take your time until you get who you want. There is no need of having them for a full year until you have some plans to make use of them. However, what has been your experience in getting the class and type of person that you desire?

Dr. SHAW. Well, as mentioned earlier in the discussion with Mr. Horan, it is getting more difficult than it has been in previous years. One of the factors that has helped somewhat in this situation is that in most of our areas, and it is certainly true in soil and water, and true in most any division that I have mentioned, our scientists have not had enough subprofessional assistants, so that we could hire some bachelor of science graduates as assistants working with people we already had, to make their work more effective. And that has helped us. We would have more difficulty today in hiring people with doctor of philosophy degrees.

Mr. WHITTEN. What you are largely doing then is keeping the same people, but by reason of increased funds you have been able to obtain people just below that top level to strengthen the overall work?

Dr. SHAW. To strengthen the overall work and to permit them to take on the new projects.

REPORT ON LINE PROJECTS

Mr. WHITTEN. We are always interested in whether a scientist ever gets through with a line project, and whether he moves on to another one. We do not know where to draw the line—I do not believe anyone does. Can you give us a report on what projects have been discontinued during the past year?

Dr. SHAW. In the 1957 calendar year, we keep this on a calendar year basis, I can give you the figures for new research line projects and discontinued projects for the Department.

Mr. WHITTEN. That will be fine.

Dr. SHAW. We initiated 574 new projects. That is in relation to a total of 3,209 active projects at the beginning of the year. We completed 240 projects during the year. We discontinued an additional 104 for various and sundry reasons, such as for the reason that the progress made to date indicated that although we had not reached the completion stage, we had gone as far as we should in that direction.

In addition, we revised 440 projects, since as research progresses changes need to be made in work plans, and these projects superseded 610 that were previously in the record. The result is that we had 3,269 projects as of December 31, 1957, a net gain of 60 projects for the year.

I should explain that the life of one of our projects will run anywhere up to 5 years. At the initiation of a project, we approve it for the estimated time it will take to complete it, but never to exceed 5 years.

We require that every project be thoroughly reviewed and reinstituted at the end of a 5-year period if it is to continue.

Mr. WHITTEN. Thank you, Dr. Shaw.

MEAT INSPECTION

We provided a $240,000 increase, as I recall it, last year for meat inspection. Since that time, the committee in the other body has been very much disturbed at the use made of that, contending that it is not in line directly with the committee report and conference report.

Can you give us briefly the story on that, Mr. Secretary?

Mr. PETERSON. Mr. Chairman, we, of course, were quite disturbed by the letter that we received from Senator Russell, the chairman of the subcommittee in the other body, because we earnestly endeavor to follow the expressed wishes of the Congress.

The situation, in summary, was about this: As far back as the early 1950's, some of our meat inspectors, mostly in the lay grades, had expressed some restlessness and dissatisfaction with the classification standards applicable to their positions. As I understand the procedure, they had made that dissatisfaction known to our regulatory people, and eventually our regulatory people looked into it, took the matter up with our personnel people, who in turn took it up with the Civil Service Commission.

The Civil Service Commission finally agreed that they would look into the matter and did, with the collaboration and cooperation of our own people. As a result, the grade classification standards were changed by the Civil Service Commission. That took place in 1956 or 1957.

Dr. CLARKSON. In 1957.

LEGAL OBLIGATIONS UNDER CLASSIFICATION STANDARDS

Mr. PETERSON. We inquired of our General Counsel's Office as to our legal obligations under the civil-service laws and other laws applicable and were told that it was mandatory upon us to pay the salaries which were required by the grade standard changes which Civil Service had approved, and that we would have to put them into effect within a reasonable time after publication by the Civil Service Commission, and we proceeded to do so, subsequent to which we had the question raised, to which you have referred.

Since that time, we have submitted the question to the Comptroller General's Office, and just now have a report back from the Comptroller General's Office which tells us—and the copies are in the process of being prepared to send forward to you, Mr. Chairman, and to Senator Russell—which tells us that we were compelled, under the laws pertaining to place the salary changes in effect.

Now, I wish at this same time to express my agreement with the position expressed in the other body, that when the Congress is faced with a fait accompli, so to speak, and is compelled to appropriate funds in response thereto, without having first had a chance to review the necessity for them, it is a most unusual situation and it is one that we regret. However, that is the way the laws seem to work, and we frankly are at a loss to know what other course we could have pursued.

Mr. WHITTEN. Can you supply a copy of your letter and the reply from the Comptroller General for the record at this point?

Mr. PETERSON. Dr. Shaw has handed me a copy here, Mr. Chairman, and we will be glad to give it to the reporter. And I must say, we just received this, and the letters are in the course of preparation, transmitting a copy to you and to Mr. Andersen, and to Senator Russell and Senator Young.

Mr. WHITTEN. Thank you. I thought it just as well, since you refer to it, to have it here.

(The material referred to is as follows:)

JANUARY 6, 1958.

Hon. JOSEPH CAMPBELL,
Comptroller General of the United States.

DEAR MR. CAMPBELL: A question has been raised as to the propriety of the action taken by the Department in reclassifying, in accordance with revised standards issued by the Civil Service Commission in 1957, positions in the Meat Inspection Division of the Agricultural Research Service, although the estimate proposed in the budget for the increased cost resulting from the application of the standards was not added by the Congress to the current appropriation.

In order to better understand this problem, a brief chronology of the events leading to the revision of the standards is set forth. Problems of interpretation of standards for meat inspection positions which had been published in 1947, began to develop in 1950. Because of the problems, there were subsequently established interpretative guides to supplement the standards in the classification of these positions. However, inequities continued to exist, and finally because of the many complaints from dissatisfied employees, portions of the standards were referred to the Civil Service Commission for interpretation. Considerable discussion with the Commission followed regarding the equity of the standards, particularly since no real equity existed between this inspection group and others within the Department. These conditions pointed up the need for reviewing the standards to determine whether they should be revised.

In October 1952, after discussions within the Department in which main points of interpretation difficulties were identified, a report was made to the Commission, with the request that the Commission study the standards to determine whether revision was justified. The Commission responded that it would be unable to schedule the study in the near future. No further action was taken until 1954 at which time, after continued dissatisfaction with the existing standards, the Department asked the Commission whether it had any plans for initiating a project for revision of the standards. In October 1954, the Commission indicated that such a project would be undertaken sometime during the early part of the calendar year 1955 with the understanding that the Department would develop the necessary background and detail information subject to Commission final review and approval.

In March 1955, representatives of the Commission and the Department held an exploratory meeting to determine the approach to be taken in the conduct of the project. Some preliminary studies were made during April 1955, but actual work on the project was not started until May 1955 when initial factfinding and negotiations including job surveys, field negotiations with individual employees and employee groups, development of preliminary draft, etc., got underway. This type of activity continued intermittently until September 1956 when the first Department draft of the standards was forwarded to the Commission. Meanwhile, considerable interest had developed in the project by the employees affected and by their representatives. Numerous letters and telephone inquiries were received by the Commission and the Department as to the progress made during the various stages of the project.

In April 1957, when the revised standards were sent to the Government Printing Office for publication, the Civil Service Commission issued a press release, copy attached, generally stating the effect the standards would have on meat inspection positions and also pointing out that a thorough study of the duties of the positions covered by the standards revealed that technological changes in processing, and advancements in meat inspection methods had increased the difficulties and responsibilities involved in the positions to a point where higher grades were justified. Mimeographed copies of the standards were transmitted by the Commission to the Department during that month with authority to put them

into effect at that time. Since there was insufficient time to obtain additional funds for use in the fiscal year 1957 to meet the increased costs, the authority to make the revised standards effective in April 1957 was not exercised.

The standards were published by the Government Printing Office in June 1957. In view of the provisions of the Classification Act of 1949, as amended, as discussed below, it was considered that the Department was obliged to place the revised standards in effect within a reasonable time after they were published. The reclassifications accordingly were made effective October 6, 1957.

We now invite your attention to the following provisions of the Classification Act which we consider applicable, and to their legislative history.

Section 401 (a) and (b) of the Classification Act of 1949, as amended, provides as follows:

"SEC. 401. (a) The Commission, after consultation with the departments, shall prepare standards for placing positions in their proper classes and grades. The Commission is authorized to make such inquiries or investigations of the duties, responsibilities, and qualification requirements of positions as it deems necessary for this purpose. In such standards the Commission shall (1) define the various classes of positions that exist in the service in terms of duties, responsibilities, and qualification requirements; (2) establish the official class titles; and (3) set forth the grades in which such classes have been placed by the Commission. At the request of the Commission, the departments shall furnish information for and cooperate in the preparation of such standards. Such standards shall be published in such form as the Commission may determine.

"(b) The Commission shall keep such standards up to date. From time to time, after consultation with the departments to the extent deemed necessary by the Commission, it may revise, supplement, or abolish existing standards, or prepare new standards, *so that, as nearly as may be practicable, positions existing at any given time within the service will be covered by current published standards.*" [Italic supplied.]

Section 501 (a) (4) provides:

"Notwithstanding section 502, the Commission shall have authority, which may be exercised at any time in its discretion, to * * * (4) change any position from one class or grade to another class or grade whenever the facts warrant. The Commission shall certify to the Department concerned action taken by the Commission under paragraph (2) or (4). The Department shall take action in accordance with such certification, and such certification shall be binding on all administrative, certifying, payroll, disbursing, and accounting officers of the Government."

Section 502 (a) of the act provides: "* * * such Department shall place each position under its jurisdiction and to which this Act applies in its appropriate grade and class in accordance with standards published by the Commission."

Section 504 (a) of the act provides:

"Whenever the Commission finds that any department is not placing positions in classes and grades in conformance with or consistently with published standards, it may revoke or suspend in whole or in part the authority granted to the department under section 502 and require that prior approval of the Commission be secured before an action placing a position in a class and grade becomes effective for pay roll and other personnel purposes. Such revocations or suspensions may be limited, in the discretion of the Commission, to (1) the departmental or field service, or any part thereof; (2) any geographic area; (3) any organization unit or group of organization units; (4) certain types of classification actions; (5) classes in particular occupational groups or grades; or (6) classes for which standards have not been published."

The House Report No. 1264 (81st Cong.) on H. R. 5931, which became the Classification Act of 1949, states as follows with respect to section 401:

"This section authorizes and directs the Civil Service Commission to prepare, publish, keep up to date allocation standards; i. e., written standards for placing individual positions in their proper classes and grades. * * * the provisions of this section cover the standard setting authority the Commission already has in the departmental service by statute, and in the field service by Executive order."

With respect to sections 502 (a) and 504, the report states as follows:

"Section 502 (a) This section sets forth the ordinary day to day authority and procedure. Following the standards provided for in title IV the Department concerned *is required* to place its positions in proper classes and grades. The Department's actions will be official for pay and personnel purposes, without prior approval of the Commission, except as indicated in sections 504 and 505. They may, however, be changed by certification of the Commission as provided in section 503. * * *. [Italic supplied.]

"Section 504. This section authorizes the Commission to revoke or suspend in whole or in part the authority of a Department to place positions in classes and grades without prior approval of the Commission, whenever the Commission finds that the Department is not following the Commission's standards * * *."

We believe the statute and the legislative history show that the Commission has authority to prescribe standards and that the Department must classify positions in accordance therewith. The instructions of the Civil Service Commission (P2–6, FPM), state that standards are official standards issued under the authority of title IV of the Classification Act of 1949, and the effective date is the date shown on the transmittal letter, unless advance copies have been distributed previously, in which case the date of the advance date of the transmittal letter is the effective date. Part 36 of the Commission's regulations (5 C. F. R. 36.1) relating to effective dates of position classification actions, provides that classification actions of a department or agency shall take effect as of the date the action is approved or on a subsequent date specifically stated and shall not be made effective retroactively except as provided in the case of certain appeals. Therefore, it appears that while a department has some judgment and discretion as to the precise time it may apply a new standard to an existing position or class of positions, we have been unable to conclude that there is basis for completely withholding the application of the standards.

Therefore, the reclassification of the meat inspection positions was made effective in October 1957 under the belief that the action was in line with the statute, the regulations, and decisions of your office which have held that there is no authority to pay an employee subject to the Classification Act other than the salary rate prescribed by that act. In this connection, it was stated in 32 Comp. Gen. 383, that "the assignment of an employee to occupy and perform the duties of a position classified in one grade while his salary is fixed in that of a position classified in a lower grade, appears to be contrary to the provisions of the Classification Act of 1949 (63 Stat. 954), which contemplates that employees shall receive the salary provided for the grade in which the position they occupy and perform the duties of have been classified." Inasmuch as the standards published by the Civil Service Commission required allocation and reallocation of certain positions in the Meat Inspection Division, it appeared that the compensation prescribed by the Classification Act of 1949, as amended, for the positions was the only salary which could be paid to the occupant of the position. Prior decisions of the Comptroller General of the United States appeared to follow this view. Thus, it was stated in 6 Comp. Gen. 355, 358, that:

"It has been held by this office that the increase in compensation under a reallocation of a position made by the Personnel Classification Board, is effective from the beginning of the pay period current when notice of the reallocation is received in the administrative office (4 Comp. Gen. 280; id. 395, id. 721; decision of September 23, 1926, A–15648, 6 Comp. Gen. 202)."

"Insufficiency of appropriated funds or prospect of a deficiency therein does not authorize payment of compensation for a civilian position in the District of Columbia at any other rate than one in the grades in which the positions are allocated, and there is no authority to delay paying the increase in rate of compensation pursuant to a reallocation of a position until such time as the administrative office may determine that the increase would not cause a deficiency in the appropriation.

"The administrative office has no discretion in the matter. Under the provisions of the classification act, and the decisions of this office with reference thereto, an employee whose position has been reallocated is entitled to compensation at a rate fixed in the classification act for the grade to which the position has been reallocated from the beginning of the pay period in which notice of the reallocation is received in the administrative office, and payment at any other rate is not authorized. And if on the basis of such payments, there is prospect of a deficiency in the appropriation involved for which the Congress will not make provision, it is the plain duty of the administrative office to provide against such deficiency by the reduction of salaries in these cases in which payment is being made at a rate in excess of the minimum rate of the grade in which the position is allocated, or by the temporary or permanent reduction of the number of employees" (see also 4 Comp. Gen. 56, *id.* 106).

In anticipation of the publication of the standards the President's budget for 1958 proposed an amount to cover increased costs resulting from the classification action. The probable establishment of revised standards for the Meat Inspection Division was considered while the Department of Agriculture appropriation for 1958 was being considered by the Congress. In the hearings before the Senate and House committees, the item was briefly discussed by Department

witnesses. The House Appropriations Committee disallowed all requested increases for 1958 except those for retirement contribution, with no specific reference being made in the report (No. 143, 85th Cong.) to this item. The Senate Report (No. 415, 85th Cong.) made no reference to this particular item.

An amendment was offered on the floor of the Senate (Congressional Record, June 11, 1957, vol. 103, pp. 7928–7931) which would have provided additional funds for the costs resulting from the classification actions. The following is an excerpt from the discussion:

"Mr. HUMPHREY. Mr. President, I bring to the attention of the Senate the fact that the Civil Service Commission has spent about 2 years working out schedules of compensation to become effective July 1, 1957. In other words, in about 15 or 16 days an entirely new compensation schedule will go into effect for veterinarians and others engaged in the Federal meat inspection service. Congress will have to provide the money. If it does not provide the money now, it will be necessary to provide it when Congress returns next January.

* * * * * * *

"Mr. RUSSELL. * * * In this case the Department of Agriculture asked the Civil Service Commission for the authority to reclassify meat inspectors. The Civil Service Commission granted the authority, and the Department of Agriculture reclassified the meat inspectors and resubmitted the reclassification to the Civil Service Commission.

"The Civil Service Commission approved it, and that may be binding on Congress. If it is, it ought not to be, because it is not a good system of appropriating money to give departments and the Civil Service Commission the right to raise the salaries of Federal employees, when Congress is thereby committed unalterably to paying them. For my part, I do not propose to be required to approve appropriations under any such practice as that.

* * * * * * *

"Mr. RUSSELL. Mr. President, I wish to make only 1 or 2 observations. Although the committee held rather exhaustive hearings, the committee was not told that this finding was an immutable as the law of the Medes and the Persians. A certain amount was asked for, just as additional inspectors were asked for. The committee was not told it was absolutely essential. I do not say it is or it is not; I only say I oppose appropriating this money before the order has been actually issued."

The following colloquy between Senator Russell and Senator Barrett took place prior to the offering of the amendment (excerpt from Congressional Record, June 11, 1957, pp. 7895 and 7896):

"Mr. BARRETT. I should like to ask the Senator if the increases recommended by the Civil Service Commission are not in fact mandatory on the Department.

"Mr. RUSSELL. I do not so understand.

"Mr. BARRETT. I am given to understand that they are mandatory, and that it is necessary for the Department to put them into effect * * *."

In the hearings before the Subcommittee of the Senate Committee on Appropriations on agricultural appropriations for 1958 (H. R. 7441), the Administrator of Agricultural Research Service stated (p. 143) that the requested increase of $590,000 would provide for the mandatory upgrading of some 2,000 positions for veterinarians and meat inspectors. Under date of May 22, 1957, the Department wrote the chairman of the Senate Subcommittee on Agriculture Appropriations commenting on the House bill on agricultural appropriations for the fiscal year 1958. The statement was made that failure to provide the funds requested to meet the new position schedules would result in one of two actions: (1) the ordered pay changes would not be put into effect or (2) if put into effect, it would necessitate laying off more than 100 inspectors. (Pp. 1028, 1039, hearings before the Subcommittee of the Senate Committee on Appropriations, supra.) Subsequent reexamination of the matter by the Department led to the conclusion that the Department was required under the statutes and regulations to reclassify the positions in accordance with the published revised standards. The budgetary outline submitted by the Department of Agriculture for the use of the House and Senate conferees on the Department of Agriculture appropriation bill for 1958 stated that when the approved Civil Service Commission revised classification standards were published, it would be mandatory on the Department to put them into effect, and that to put the increases into effect on an annual basis without additional funds would decrease employment under the appropriation by 125 meat inspectors.

The interchange authority pursuant to the Organic Act of 1944 was utilized to provide part of the funds required to meet the increased costs because of the

reclassification of positions and also to defray costs resulting from higher entrance rates for veterinarians prescribed by the Civil Service Commission pursuant to the authority contained in section 803a of the Classification Act of 1949, as amended, by Public Law 763, 83d Congress (5 U. S. C. 1132), to become effective July 1, 1957.

It appeared that the mandatory character of the regulations required that the Department take action to provide the minimum rates thus prescribed and to classify the positions in accordance with the revised standards, even though a corresponding increase in the appropriations was not made for the purpose, and that such action was necessary even though it might result in a curtailment of services or the necessity for a reduction in force (6 Comp. Gen. 355, supra).

Recently, it has been represented to the Department that the action in applying the standards was in violation of the intent of Congress. Therefore, your decision is requested as to whether the action taken by the Department in using funds appropriated under the 1958 Agricultural Appropriation Act for paying costs resulting from the reclassification of positions in the Meat Inspection Division was in accordance with the applicable statutes and regulations. If the Department was without authority to place in effect the revised standards, will it be necessary now to rescind the action taken and recover the amounts already paid to the employees?

Your early decision in this matter will be appreciated.

Sincerely yours,

E. L. PETERSON,
Assistant Secretary.

NEWS RELEASE, UNITED STATES CIVIL SERVICE COMMISSION, WASHINGTON, D. C.

APRIL 24, 1957.

Several hundred Federal meat inspectors, employed in meatpacking centers located throughout the country, will receive higher pay under new job classification standards just issued by the Civil Service Commission.

According to estimates furnished the Commission by the Department of Agriculture, the majority of upward grade changes will apply to positions now in GS–3 ($3,175), GS–4 ($3,415), GS–5 ($3,670) and GS–6 ($4,080). For example, about 650 jobs now at the grade GS–3 and 4 levels will be moved to GS–5. Under the new standards, grades GS–3 and 4 have been abolished, with GS–5 becoming the new entrance grade.

The new standards will also result in pay raises for a smaller number of employees now in GS–7 ($4,525) and GS–8 ($4,970). The exact number of grade changes cannot be determined until the new standards are applied to individual jobs.

The job classification standards were worked out jointly by the Commission and Department of Agriculture, which employs most of the persons affected. In addition, employee organizations were consulted frequently in an effort to determine realistic classification standards. The Commission said that this thorough study of the duties of those jobs showed that technological changes in processing and advancements in meat inspection methods have increased the difficulties and responsibilities involved in the positions to a point where higher grades are justified.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D. C., January 24, 1958.

B–134820

The Honorable the SECRETARY OF AGRICULTURE.

DEAR MR. SECRETARY: On January 6, 1958, the Assistant Secretary requested our decision whether administration action reclassifying positions to conform with revised standards published by the Civil Service Commission is mandatory under applicable provisions of the Classification Act of 1949 (63 Stat. 954).

Briefly the circumstances related in the submission show that some years ago your Department called to the attention of the Civil Service Commission the problems encountered in the interpretation of the existing published standards for meat inspection positions and the inequities resulting therefrom which caused many complaints from dissatisfied employees. Your Department points out that after exhaustive studies by your Department and the Civil Service Commission, over a long period of time, 1952–57, the Commission finally, in June 1957,

published the revised standards for meat inspection positions. Based upon the published revised standards administrative action was taken effective October 6, 1957, reclassifying existing positions in accordance with such standards.

Specifically, your questions are presented as follows:

"(1) whether the action taken by the Department in using funds appropriated under the 1958 Agricultural Appropriation Act for paying costs resulting from the reclassification of positions in the Meat Inspection Division was in accordance with the applicable statutes and regulations.

"(2) if the Department was without authority to place in effect the revised standards, will it be necessary now to rescind the action taken and recover the amounts already paid to the employees?"

Section 401 of the act of October 28, 1949 (63 Stat. 957, 5 U. S. C. 1094), provides in pertinent part, as follows:

"SEC. 401 (a) The Commission, after consultation with the departments, shall prepare standards for placing positions in their proper classes and grades. The Commission is authorized to make such inquiries or investigations of the duties, responsibilities, and qualification requirements of positions as it deems necessary for this purpose. In such standards the Commission shall (1) define the various classes of positions that exist in the service in terms of duties, responsibilities, and qualification requirements; (2) establish the official class titles; and (3) set forth the grades in which such classes have been placed by the Commission. At the request of the Commission, the Departments shall furnish information for and coorporate in the preparation of such standards. Such standards shall be published in such form as the Commission may determine.

"(*b*) The Commission shall keep such standards up-to-date. From time-to-time, after consultation with the departments to the extent deemed necessary by the Commission, it may revise, supplement, or abolish existing standards, or prepare new standards, so that, as nearly as may be practicable, positions existing at any given time within the service will be covered by current published standards."

House Report No. 1264, 81st Congress, states as follows regarding section 401:

"This section *authorizes* and *directs* the Civil Service Commission to prepare, publish, and keep up-to-date allocation standards; i. e., written standards for placing individual positions in their proper classes and grades. * * *

"The provisions of this section cover the standards-setting authority the Commission already has in the departmental service by statute and in the field service by Executive order." [Emphasis supplied.]

Under the language of the foregoing section and the statement in the legislative history concerning that section, the Civil Service Commission is required to prepare standards for placing positions in their proper classes and grades and to keep such standards up-to-date so that existing positions will be covered by current published standards.

Under section 302 (a), 63d Statutes at Large, page 957, title 5 United States Code, section 1092, each position is required to be placed in its appropriate class based upon the duties and responsibilities of such position and the qualifications required by such duties and responsibilities. Paragraph (b) of the same section, 63d Statutes at Large, page 957, title 5, United States Code, section 1092, requires that each class shall be placed in its appropriate grade based upon the level of difficulty, responsibility, and qualification requirements of the work of such class. House Report No. 1264 also contains a statement respecting section 302 which reads as follows:

"This section requires that each position be placed in the appropriate class, and that each class be placed in its appropriate grade, on the basis of duties, responsibilities, and qualification requirements of the work involved in the position or in the class of positions concerned."

It is apparent from the provisions of section 302 (a) and (b) and the statement in the legislative history that positions shall be placed in their appropriate classes and grades.

Section 502 (a), 63d Statutes at Large, page 958, title 5, United States Code, section 1102, provides in pertinent part, that "each department shall place each position under its jurisdiction and to which this act applies in its appropriate class and grade in conformance with standards published by the Commission." Concerning section 502, House Report No. 1264 states, in pertinent part, as follows:

"This section sets forth the ordinary day-by-day authority and procedure. Following the standards provided for in title IV, the department concerned is *required* to place its positions in proper classes and grades. The department's

actions will be official for *pay* and *personnel purposes*, without prior approval of the Commission * * *." [Emphasis supplied.]

Section 504 (a), 63d Statutes at Large, page 959, title 5, United States Code, section 1104, provides, in pertinent part, that:

"Whenever the Commission finds that any department is not placing positions in classes and grades in conformance with or consistently with published standards, it may revoke or suspend in whole or in part the authority granted to the department under section 502 * * *."

House Report No. 1264, contains the following statement respecting section 504:

"This section authorized the Commission to revoke or suspend in whole or in part the authority of a department to place positions in classes and grades without prior approval of the Commission, whenever the Commission finds that the department is not following the Commission's standards. After such revocation or suspension, the Commission may restore such authority to the extent that corrective measures taken by the department satisfy the Commission that subsequent actions will be in accordance with standards."

From the language of sections 502 (a) and 504 (a) and the statements in the legislative history concerning those sections, it is apparent that each department concerned is required to place each position under its jurisdiction and to which the act applies in its appropriate class and grade in conformance with standards published by the Commission or that in their refusal to act the Commission will take the action on its own initiative.

Section 603 (a) provides, in pertinent part, as follows:

"* * * the rates of basic compensation with respect to officer, employees, and positions to which this act applies shall be in accordance with the schedules of per annum rates * * *."

Thus, if a position is reclassified to a higher grade, the incumbent becomes entitled to the scheduled compensation provided for such higher grade.

Based upon the foregoing statutory provisions and what has been said in the legislative history concerning them, we conclude that it is mandatory that administrative action be taken to place existing positions in proper classes and grades prescribed by revised standards published by the Civil Service Commission and to pay the scheduled salaries of the grades. The administrative action is to be taken within a reasonable time after publication of such standards, otherwise the provisions of section 504 (a) would be applicable. Therefore, your first question is answered in the affirmative making an answer to your second question unnecessary.

Our decision, 30th Comptroller General Decisions, page 156, holding that actions by departments—under section 502—shall form the basis for payment of compensation and that such changes become effective on the date administrative action is taken by the administrative officer vested with proper authority to finally allocate or reallocate the positions or such later date as might be administratively fixed, is amplified to the extent that such later date as might be administratively fixed must be within a reasonable period of time.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

CHANGE IN FUNDING OF BRUCELLOSIS ERADICATION PROGRAM

Mr. WHITTEN. My attention is called to the change in your method of funding the brucellosis eradication program next year. This program heretofore has been, as you know, taken care of out of Commodity Credit Corporation funds. What is the reasoning behind that?

Mr. PETERSON. Let me say first, Mr. Chairman, as a matter of policy we are trying to get away from using the Commodity Credit Corporation as a general bank for the several programs of the Department of Agriculture.

Secondly, as you will recall, I believe it was in 1954 that legislation was enacted providing, as I recall, by its terms, that in recognition of an emergency for a 2-year period funds could be borrowed to a specified maximum from the Commodity Credit Corporation for the

conduct of an accelerated brucellosis program. That authority ran, as I recall, for 2 years. In 1956 that authority was extended for an additional 2 years, and the amount of the authorization was increased, as I recall, from, what was it, $15 million to $20 million. That authority, taken on an emergency basis in 1954, and extended through 1958, expires as of June 30 of this year.

We know of no emergency that exists in regard to this program. We think that it will be a long-enduring program, because as Dr. Shaw pointed out, I believe, in his testimony, there will be many years, as we know, before eradication, a substantial eradication, can be achieved. And it seemed to us better, under those circumstances, to include our funding in the regular appropriation item and put this on a pay-as-you-go basis, looking toward the longtime continuance of this program, and thereby providing annual review through the regular appropriations, than to continue the emergency program.

Mr. WHITTEN. It strikes me that you are on sound ground, since we do use Commodity Credit Corporation for a thousand and one things. Any restoration of CCC capital usually gets pointed out as a cost to the price-support program. So, to the extent that it is not necessary to use that vehicle for programs, I think it is sound and keeps everything on its own bottom.

Mr. PETERSON. Of course, we are pleased with that point of view, Mr. Chairman, which is ours. In most of these programs, there is enough confusion and difficulty in the public mind, keeping each one separately identified in regard to its purpose, and it seems to us to be sound to place this one in that type of a situation.

Mr. WHITTEN. If the funds are provided here and the legislation is also extended, there would be no idea on the part of the Department to seek funds from both sources?

Mr. PETERSON. No, sir; there definitely is not.

Mr. WHITTEN. The program that you request here is the program, whatever the situation may resolve itself into, so far as availability of funds are concerned?

Mr. PETERSON. That is right, we are making the proposal that is contained in this budget to expend a maximum of $15 million.

Mr. WHITTEN. Mr. Marshall.

COMPLETION OF SOIL AND WATER CONSERVATION RESEARCH LABORATORIES

Mr. MARSHALL. When will the soil laboratories in these three States that you mentioned be completed?

Dr. SHAW. It will probably be about a year from July.

Mr. MARSHALL. In all three States?

Dr. SHAW. Yes.

Mr. MARSHALL. All completed at approximately the same time?

Dr. SHAW. About the same time.

Mr. WHITTEN. Mr. Natcher.

SOIL AND WATER CONSERVATION NEEDS IN KENTUCKY

Mr. NATCHER. Dr. Shaw, I certainly have enjoyed your fine statement, and especially that point pertaining to soil and water conservation research. This particular program means a lot to my section of the United States, and especially to my home State of Kentucky.

Mr. Chairman, I have several general questions, and certain observations concerning the soil and conservation research program as it applies to Kentucky, and in order to save time, with your permission, I would like to insert in the record at this point this general statement.

Mr. WHITTEN. There is no objection. We will be glad to have it appear in the record.

STATEMENT BY MR. NATCHER

Soil and water are two of the most important resources of the State of Kentucky and the Nation. These two vital resources must be protected and effectively utilized for the long-term public welfare. Soil erosion is a particularly serious problem on a majority of Kentucky's 193,000 farms. The high percentage of sloping lands, the erosive nature of many of the soils, and the character of the rainstorms create an erosion problem which is more serious than is encountered over much of the Nation. Also, development and utilization of Kentucky's water resources are of prime importance to agriculture, municipal, and industrial development. Drought, poor drainage, and rapid runoff cause water problems of critical importance.

The increasing demand for application of conservation measures in Kentucky, under both the Public Law 566 programs, creates a growing need for basic information which will lead to more effective methods of soil and water conservation.

Lack of adequate research information is handicapping efforts of State and Federal agencies in planning and applying land and water use and watershed protection programs in the State. At no time has a comprehensive coordinated soil and water conservation research program been conducted in the State and very little research is underway at present. As a result, the Soil Conservation Service and others have had to rely mainly on extrapolation of research data from distant, out-of-the-State points for use in formulation of the runoff and erosion control practices and water management programs in the State. Information thus derived often has been limited in application due to the soil, climatic, topographic, and cropping conditions peculiar to the State and region.

Kentucky is 1 of only 2 of the larger States in the entire humid region which does not have federally supported cooperative soil and water conservation investigations.

Studies of the soil and water research needs of the State have revealed critical and immediate problems for which information is lacking. These studies indicate the need for a comprehensive research program to provide essential data for land and water use and in watershed protection programs. This research should be directed in three major areas as follows:

1. Development of methods of soil, water, and crop management which will control runoff and erosion on farms and small watersheds and at the same time provide for efficient utilization of soil and water resources. Specific studies under this heading could include:

(*a*) Establishment of normal amounts of runoff and soil loss under several levels of crop cover for use as a base in estimating runoff and erosion under various land uses and treatments.

(*b*) Evaluation of different soil and crop management practices such as high fertilization, residue mulching, tillage practices, crop rotation, and pasture renovation, as to their effect on soil and water losses under Kentucky soil and climatic conditions.

(*c*) Determination of the erodability, infiltration and water-holding capacity of different soil types and the effect of slope on soil erosion.

(*d*) Development of cropping systems, crop residue use and related management practices for maintaining soil tilth and productivity.

(*e*) Establishment of the optimum strip width, and row grades for stripcropping and size, spacing and adaptability of terraces and diversions under Kentucky conditions.

(*f*) Improvement of gully control including grass waterways and structures.

(*g*) Determination of dependable yields of runoff under varying soil and topographic conditions.

2. Development and utilization of water resources. This is a critical need in Kentucky and a research program should include the following studies:

(*a*) Development of methods of storing water for agricultural use with special emphasis on seepage losses from farm ponds.

(*b*) Study of factors relating to the distribution and utilization of water on the farm.

3. Development of effective drainage and water-management techniques to facilitate effective and efficient land use in areas troubled with accumulation of excess water. Projects such as the following should be considered:

(*a*) Development of methods for managing sidehill seeps in order to protest lower lying cropland.

(*b*) Investigation of the practicality of controlling the water table in bottomland areas through subsurface drainage by gravity flow or pumping.

(*c*) Development of methods and techniques for land forming, smoothing, and leveling, singly and in combination with surface and subsurface drainage.

PROGRAM FOR FEDERAL-STATE RESEARCH PROPOSED

It is proposed to initiate a soil- and water-conservation and management-research program of a scope which would permit effective attack on these problems. Such a program of research would require a coordinated team of agricultural engineers, soil scientists, and agronomists, together with adequate research equipment and facilities and operating funds. It is recommended that this research be made possible through an appropriation to the Agricultural Research Service of the United States Department of Agriculture, and that the team work jointly with the agronomy and the agricultural engineering departments of the University of Kentucky Agricultural Experiment Station.

For a research program as outlined above, the University of Kentucky can make available suitable land on experimental farms already located in most of the major physiographic regions of the State. Use of this land would drastically reduce the costs of such a program. However, a staff of 6 to 8 scientists and engineers, plus aids and clerk-stenographers, would be required. Adequate office and laboratory space for this expanded program on the University of Kentucky campus is now limited, and would be needed to house this additional personnel.

For efficient operation of this research program, a suitable building with office and laboratory space should be located on the University of Kentucky campus for most of these additional persons. Most of the proposed research projects would involve close cooperation with other members of the departments of agricultural engineering and agronomy at the Kentucky Agricultural Experiment Station. The Agricultural Research Service scientists and engineers would need to have access to the library and certain laboratory facilities, as well as some of the instruments and farm equipment now available at the university.

Costs of Proposed Research

The costs of such a research program have been estimated as follows:

1 GS–13 project leader	$10,065
1 GS–12 agricultural engineer	8,645
1 GS–12 soil scientist	7,570
2 GS–11 soil scientists, at $7,035	14,070
1 GS–9 agricultural engineer	6,115
1 GS–7 soil scientist	5,335
1 GS–5 agricultural engineer	4,480
6 GS–4 agricultural aids, at $3,415	20,490
2 GS–3 clerk-stenographers	6,350
8 w. a. e. laborers, at $2,000	16,000
14 percent overhead [1]	17,500
Total [2]	116,620

[1] ARS (includes contract research, business operations, supervision, etc.).

[2] This leaves $8,380 for likely pay increases for biological scientists, bringing the grand total for salaries to $125,000.

Annual operating funds

Machinery replacement, new accessories, and upkeep	$8,000
Installations (instrumented runoff plots, terraces, pond sealing, drainage, irrigation, etc.)	50,000
Laboratory and engineering equipment, additions, and replacement	14,000
Travel (per diem, transportation to meetings, outlying locations, etc.)	6,000
Automotive (replacement and upkeep)	3,000
Data analysis (IBM)	5,000
Overhead [1]	14,000
Total	100,000
Initial nonrecurring funds: [2]	
2 rainfall simulators	24,000
1 truck (trailer)	5,500
1 passenger car	1,500
2 couriers	3,000
4 trucks (pickup)	5,600
4 sets tractors and accessories	20,000
Erosion and runoff installations	26,000
Farm water supply development installations	17,000
Drainage and water management installations	7,000
Miscellaneous items (transits, pressure membrane equipment, soil-sampling tubes, office furniture, ovens, etc.)	17,000
Total	$126,600

[1] ARS (includes contract research, business operations, supervision, etc.).
[2] These funds would be devoted largely to purchase of major items of equipment and in making major research installation on university farms.

LABORATORY AND OFFICE BUILDING

FACILITIES PROPOSED

General specifications for the necessary facilities are as follows:
Office: 1,980 square feet.
Two 15-by-20-foot clerical and computing.
Fourteen 10-by-12-foot professional and technical aids.
Laboratory: 4,800 square feet.
Four 20-by-20-foot temperature-humidity control rooms for fundamental experiments requiring precision instrumentation.
One 40- by 80-foot flexible laboratory for soil analysis, hydraulic models, irrigation, and drainage.
Construction: Steel frame, clear span, brick.
Estimated cost: Complete (6,780 square feet, at $25 per square foot), $169,500.

Mr. NATCHER. That is all, Mr. Chairman. I thank you.
Mr. WHITTEN. Mr. Santangelo.
Mr. SANTANGELO. I wish to say something off the record.
(Discussion off the record.)
Mr. WHITTEN. Back on the record.

ANIMAL DISEASE RESEARCH LABORATORY

I neglected to ask you the status of the construction of the Ames, Iowa, Laboratory.

Dr. SHAW. We anticipate that the completed drawings will be available to us along about the last of March, or early in April, and we expect that we will be able to let construction contracts either late in this fiscal year or very early in the next fiscal year, and then it would take probably at least 2 years beyond that before we have the laboratory built.

Mr. WHITTEN. Since we turn now to the details of the various appropriation items, I think that we will just stand in recess until tomorrow.

We do wish to thank you gentlemen for the very fine manner in which you have presented these matters.

Mr. PETERSON. Thank you.

SALARIES AND EXPENSES

Program and Financing

	1957 actual	1958 estimate	1959 estimate
Program by activities:			
Direct obligations:			
1. Research:			
(a) Farm research	$37,966,778	$41,867,290	$39,617,290
(b) Utilization research and development	11,745,675	12,915,800	18,215,800
(c) Home economics research	1,808,402	1,987,800	1,987,800
(d) Administration of payments to States and Territorial research	782,165	924,000	924,000
Total, research	52,303,020	57,694,890	60,744,890
2. Plant and animal disease and pest control:			
(a) Plant disease and pest control	18,086,374	18,616,100	18,985,900
(b) Animal disease and pest control	9,302,743	11,350,900	23,146,100
Total, plant and animal disease and pest control	27,389,117	29,967,000	42,132,000
3. Meat inspection	15,665,890	16,941,000	17,326,000
Total direct obligations	95,358,027	104,602,890	120,202,890
Obligations from amounts advanced by Commodity Credit Corporation:			
2. Plant and animal disease and pest control: (b) Animal disease and pest control: Brucellosis eradication	17,037,182	17,400,000	
Total obligations	112,395,209	122,002,890	120,202,890
Financing:			
Comparative transfers from (−) other accounts	−3,318,834		
Unobligated balance brought forward	−6,527		
Advances (repayable to Commodity Credit Corporation) for brucellosis eradication	−17,037,182	−17,400,000	
Unobligated balance no longer available	1,766,889	100,000	
New obligational authority	93,799,555	104,702,890	120,202,890
New obligational authority:			
Appropriation	94,416,000	104,702,890	120,202,890
Transferred from "Diseases of animals and poultry" (71 Stat. 12)	371,000		
Appropriation available in prior year	−987,445		
Appropriation (adjusted)	93,799,555	104,702,890	120,202,890

Object classification

	1957 actual	1958 estimate	1959 estimate
AGRICULTURAL RESEARCH SERVICE			
Total number of permanent positions	14,580	15,273	15,889
Full-time equivalent of all other positions	2,303	2,298	1,486
Average number of all employees	14,744	15,759	15,881
Number of employees at end of year	19,594	20,131	18,801
Fee-basis veterinarians at end of year included above	(3,516)	(3,500)	(1,400)
Average GS grade and salary	7.1 $5,267	7.3 $5,313	7.3 $5,345
Average salary of ungraded positions	$3,754	$3,763	$3,794
Personal service obligations:			
Permanent positions	$64,075,943	$69,943,006	$74,938,852
Positions other than permanent:			
Fee basis veterinarians	7,362,795	7,400,000	3,031,000
All other	2,826,563	2,830,902	2,913,705
Other personal services	778,766	1,106,714	1,125,275
Total personal service obligations	75,044,067	81,280,622	82,008,832

Object Classification—Continued

	1956 actual	1957 estimate	1958 estimate
AGRICULTURAL RESEARCH SERVICE—continued			
Direct obligations:			
01 Personal services	$64,361,067	$70,510,022	$82,008,832
02 Travel	2,749,545	2,851,500	3,464,000
03 Transportation of things	370,056	388,500	441,000
04 Communication services	686,808	738,700	930,500
05 Rents and utility services	720,420	893,700	961,800
06 Printing and reproduction	578,328	615,800	701,000
07 Other contractual services	6,719,130	6,783,000	7,730,700
Services performed by other agencies	3,998,530	3,871,500	4,000,400
08 Supplies and materials	7,833,074	6,726,686	7,561,078
09 Equipment	3,898,917	3,919,800	3,285,900
10 Lands and structures	553,152	1,828,000	241,000
11 Grants, subsidies, and contributions		4,201,300	4,772,600
13 Refunds, awards, and indemnities:			
Awards for employee suggestions	21,340	22,300	23,300
Anaplasmosis indemnities	6,297	3,000	3,000
Brucellosis indemnities	548,000	548,000	3,519,000
Scrapie indemnities	329,736	153,000	125,000
Tuberculosis indemnities	358,988	380,000	380,000
Federal tort claims	3,846		
15 Taxes and assessments	122,503	95,900	94,380
Subtotal	93,859,737	104,530,708	120,243,480
Deduct quarters and subsistence charges	90,917	90,600	90,600
Total direct obligations	93,768,820	104,440,108	120,152,890
Reimbursable obligations:			
01 Personal services	10,683,000	10,770,600	
02 Travel	572,000	581,600	
03 Transportation of things	38,000	42,600	
04 Communication services	284,000	288,000	
05 Rents and utility services	48,000	53,000	
06 Printing and reproduction	85,000	88,600	
07 Other contractual services	135,000	176,040	
Services performed by other agencies	55,000	61,200	
08 Supplies and materials	853,162	888,360	
09 Equipment	368,000	266,000	
11 Grants, subsidies, and contributions		191,700	
13 Refunds, awards, and indemnities: Brucellosis indemnities	3,874,720	3,952,000	
15 Taxes and assessments	41,300	40,300	
Total reimbursable obligations	17,037,182	17,400,000	
Total, Agricultural Research Service	110,806,002	121,840,108	120,152,890
ALLOCATION ACCOUNTS			
Total number of permanent positions	7	5	5
Average number of all employees	3	2	2
Number of employees at end of year	5	3	3
Average GS grade and salary	7.6 $5,648	7.6 $5,664	7.8 $5,784
01 Personal services:			
Permanent positions	$16,655	$9,600	$9,600
Positions other than permanent	631		
Other personal services	666	400	400
Total personal services	17,952	10,000	10,000
05 Rents and utility services	415		
07 Other contractual services	78,372	7,000	2,350
08 Supplies and materials	502		
10 Lands and structures	1,491,966	145,132	37,000
11 Grants, subsidies, and contributions		650	650
Total, allocation accounts	1,589,207	162,782	50,000
Total obligations	112,395,209	122,002,890	120,202,890
Obligations are distributed as follows:			
Agricultural Research Service	110,806,002	121,840,108	120,152,890
General Services Administration	1,435,462		
Bureau of Public Roads, Department of Commerce	153,745	162,782	50,000

Mr. WHITTEN. The committee will come to order.

We start now with "Salaries and expenses" which appear in the justifications on page 6. In this connection, I would like to include in the record, pages 6 through 9 of the justification.

(Pages 6 through 9 of the justification follow:)

Salaries and expenses

	Research	Plant and animal disease and pest control	Meat inspection	Total
Appropriation Act, 1958	$57,794,890	$26,082,000	$16,826,000	$100,702,890
Less savings in 1958 reflected as reductions in 1959 estimates	−100,000			−100,000
Supplemental Appropriation Act, 1958		4,000,000		4,000,000
Base for 1959	57,694,890	30,082,000	16,826,000	104,602,890
Budget estimate, 1959	60,744,890	42,132,000	17,326,000	120,202,890
Increase	+3,050,000	+12,050,000	+500,000	+15,600,000

Summary of increases and decreases, 1959

Research:	
Net increase of $3,050,000 consisting of:	
Decrease due to elimination of nonrecurring appropriation provided in 1958 for construction and alterations of laboratories ($1,445,000 for soil and water conservation research laboratories and $105,000 for a wool processing laboratory at Albany, Calif.)	−$1,550,000
Increase totaling $4,600,000 for utilization research as follows:	
Research on conversion of wheat, other small grains, and corn or their constituents, to forms that will encourage increased industrial use (in addition, it is proposed to redirect work in the present farm research program to the extent of $805,000 in order to place greater emphasis on this research on grains)	+1,100,000
Research on cotton and other fibers to develop new and improved cotton fibers, fabrics, processes, and processing machinery to maintain and create new markets ($800,000) and to expand research on wool ($200,000)	+1,000,000
Research on fruits and vegetables in order to provide new and improved products for domestic and foreign markets	+250,000
Research on oilseeds (soybeans, safflower, flaxseed, cottonseed, castor beans, and peanuts) to develop new industrial outlets such as plastics, plasticizers, lubricants, adhesives, etc	+1,100,000
Research on new plants and plant seeds to discover new oilseed and fiber crops to meet industrial needs ($150,000); and on sugar to develop derivatives having new and industrial uses ($100,000)	+250,000
Research on production of dry whole milk ($500,000), and on frozen meats ($100,000) to extend and stabilize markets; to develop new and improved industrial outlets for animal fats ($250,000); and to improve processing and properties of leather to broaden markets and reduce costs ($50,000)	+900,000
Net increase for research	+3,050,000

Summary of increases and decreases, 1959—Continued

Plant and animal disease and pest control:	
To evaluate registered labeling on pest and disease control products to determine compliance with Public Law 518	+$39,300
To provide for assumption of full responsibility for foreign plant quarantine work in Florida and meeting the additional workload of Customs Service for inspection of passengers' baggage for detection of prohibited or restricted agricultural materials	+250,000
A net increase for animal disease control and eradication consisting of an increase of $900,000 to meet the requirements of the screwworm eradication program, and an increase of $10,860,700 in the program for eradication of brucellosis (partially offsetting elimination of $17,400,000 transfer from Commodity Credit Corporation)	+11,760,700
Net increase for plant and animal disease and pest control	+12,050,000
Meat inspection:	
To provide inspectors needed in federally inspected meatpacking plants	+500,000
Total net increase, salaries and expenses	+15,600,000

Project statement

Project	1957	1958 (estimated)	Increase (+) or decrease (−)	1959 (estimated)
1. Research:				
(a) Farm research:				
(1) Animal husbandry	$4,927,615	$4,984,700	−$183,300	$4,801,400
(2) Animal disease and parasite	5,920,924	6,625,000	−23,700	6,601,300
(3) Crops	[1] 12,397,468	12,487,200	−406,000	12,081,200
(4) Entomology	4,909,801	5,099,900		5,099,900
(5) Soil and water conservation	5,376,295	7,860,490	−1,587,000	6,273,490
(6) Farm economics	2,405,812	2,709,000		2,709,000
(7) Agricultural engineering	2,028,863	2,101,000	−50,000	2,051,000
Total, farm research	37,966,778	41,867,290	−2,250,000	39,617,290
(b) Utilization research and development:				
(1) Cereal and forage crops	2,018,864	2,455,600	+1,905,000	4,360,600
(2) Cotton and other fibers	2,015,448	2,709,400	+895,000	3,604,400
(3) Fruits and vegetables	2,605,826	2,186,800	+250,000	2,436,800
(4) Oilseeds	1,177,390	1,427,300	+1,100,000	2,527,300
(5) New and special plants	1,464,026	1,548,300	+250,000	1,798,300
(6) Poultry, dairy and animal products	2,464,121	2,588,400	+900,000	3,488,400
Total, utilization research and development	11,745,675	12,915,800	+5,300,000	18,215,800
(c) Home economics research:				
(1) Human nutrition	891,042	1,002,000		1,002,000
(2) Household economics	559,192	593,400		593,400
(3) Clothing and housing	358,168	392,400		392,400
Total, home economics research	1,808,402	1,987,800		1,987,800
(d) Administration of payments to States, and Territorial research:				
(1) State experiment stations	180,503	272,100		272,100
(2) Territorial experiment stations	601,662	651,900		651,900
Total, administration of payments to States, and Territorial research	782,165	924,000		924,000
Total, research	52,303,020	57,694,890	+3,050,000	60,744,890

See footnote at end of table.

Project statement—Continued

Project	1957	1958 (estimated)	Increase (+) or decrease (−)	1959 (estimated)
2. Plant and Animal Disease and Pest Control:				
(a) Plant disease and pest control:				
(1) Plant pest control	[2] $15,070,324	$13,981,600	$+39,300	$14,020,900
(2) Plant quarantine	4,003,495	4,715,000	+250,000	4,965,000
Total, plant disease and pest control	19,073,819	18,696,600	+289,300	18,985,900
(b) Animal disease and pest control:				
(1) Animal disease control and eradication:				
Appropriated funds	7,928,829	9,894,000	+11,760,700	21,654,700
Transfer from CCC for brucellosis eradication	17,037,182	17,400,000	−17,400,000	
Total, animal disease control and eradication	24,966,011	27,294,000	−5,639,300	21,654,700
(2) Animal quarantine	1,373,914	1,491,400		1,491,400
Total, animal disease and pest control	26,339,925	28,785,400	−5,639,300	23,146,100
Deduct transfer from CCC for brucellosis eradication	−17,037,182	−17,400,000	17,400,000	
Total, plant and animal disease and pest control	28,376,562	[3] 30,082,000	+12,050,000	42,132,000
3. Meat inspection	15,665,890	[3] 16,826,000	+500,000	17,326,000
Total, obligations or estimate	96,345,472	104,602,890	+15,600,000	120,202,890
Unobligated balance	1,766,889			
Transferred from Diseases of animals and poultry, Agricultural Research Service, research"	−371,000			
Transfers in the 1958 estimates from—				
"Diseases of animals and poultry, Agricultural Research Service, research"	−3,009,623			
"Research on strategic and critical agricultural materials"	−309,211			
Unobligated balance brought forward	−6,527			
Total appropriation	94,416,000			

[1] Includes $6,527 of fiscal year 1956 funds obligated by Bureau of Public Roads in fiscal year 1957 for supervision of road construction contract let in fiscal year 1956 (11 Comp. Gen. No. A-43067).
[2] Includes $987,445 obligated for control of Medfly in fiscal year 1956 from 1957 appropriation which provided that $1,250,000 be immediately available for expenditure in fiscal year 1956 for such purpose.
[3] Does not reflect transfer of $115,000 from "Plant and animal disease and pest control" to "Meat inspection" under authority of 5 U. S. C. 572.

Mr. WHITTEN. I believe, Doctor Shaw, that you would like to follow the outline that appears on page 8 under the project statement. So we will let you proceed as you see fit.

FARM RESEARCH

Dr. SHAW. Doctor Byerly will discuss "Farm research" the first item under that heading, Mr. Chairman.

Dr. BYERLY. Mr. Chairman, before proceeding to the project statement, I would like to discuss with you briefly the map that I have placed before you which shows you the more than 220 locations scattered through the United States at which farm research is done in cooperation with those States.

I bring this map to your attention because one of our major problems is a continuous review of our program to make the most effective use of our competent scientists and the funds at their disposal.

With this number of locations—and there are 5 or 6 of them at which all of the 7 farm research divisions are represented—we have a continuing problem of relieving our research workers of such clerical details as making out their own time records, their own requisitions, etc.

You spoke yesterday of the fine work that my colleague, Karl Quisenberry, had done over a period of years. During this past year he has paid particular attention to this problem of field programs. Specifically, he has proceeded to about a dozen of our major locations where we have employees from several divisions. These include Tifton, Ga., Stoneville, Miss., College Station, Tex., Baton Rouge, La., and Logan, Utah. The problem has already been reviewed at each of these places, and Dr. Quisenberry has succeeded in making arrangements to relieve our research workers of clerical details and to place an administrative clerk at their service for this purpose. We will continue to review these locations, always with the aim of obtaining greater efficiency and greater service in research.

CONSOLIDATION OF OFFICES

There are some of these locations that may be subject to consolidation. For example, in the Phoenix, Ariz., area, entomology research has three separate locations, each with a scientist or two. We are undertaking negotiations with the University of Arizona to bring their research together and to house workers, if possible, at the Arizona Experiment Station in the Phoenix area. This will make for greater effectiveness and greater coordination of Federal-State work. We will carefully review each of our locations as time permits.

REVIEW OF RESEARCH

Pursuing the same topic a little further, in response to your request for data on work terminated and work started, Dr. Shaw, gave you a summary yesterday of the number of line projects terminated, revised, and the new ones initiated.

I should like to give you, as I proceed, a few examples of specific cases where, within existing funds, we have made shifts from existing program work to new work.

Under weed research, we have curtailed some existing programs to find funds, to the extent of $60,000, to undertake new work on the mode of action of certain herbicides and, to the extent of $15,000, to undertake new work on witch weed. I will refer again to similar examples of shifts as we proceed with the discussion of the work of the several divisions.

If we may turn then to the material on pages 40 through 67 of our explanatory notes, which cites progress for each of the 7 farm research divisions, Mr. Chairman, you may wish perhaps at this time to have all of these 67 items entered into the record. If so, I will refer only to the highlights.

Mr. WHITTEN. We will be pleased to have those in the record. As broad a field as research covers it is hard for you to describe the activities unless we put it in the record. So we will be pleased to have the pages put in the record at this point:

SELECTED EXAMPLES OF RECENT PROGRESS

ANIMAL HUSBANDRY RESEARCH

1. *Nonfat milk constituents inherited independently and are independent of fat.*—This finding offers an opportunity, through selective breeding, to develop strains of cattle that yield milk with higher ratio of solids-not-fat to fat. Studies at Beltsville, Md., have resulted in the development of suitable equipment for practical measurement of the solids-not-fat content of milk of individual cows. This equipment furthers selective breeding procedures aimed at developing strains of cows that will yield milk of a more desirable composition.

2. *Raising heifers on liberal forage and limited grain rations proves successful.*—Young dairy calves can be successfully reared to calving time on a ration using only 370 pounds of whole milk, 500 pounds of grain, and unlimited quantities of good alfalfa hay. When alfalfa silage or equal parts of alfalfa and corn silages replaces the hay in such a feeding schedule, low rates of gain and unsatisfactory growth resulted. The use of wilted alfalfa silage plus 1 pound alfalfa hay per hundredweight, or wilted alfalfa silage plus 2 pounds grain per day to calving produced calves that were only slightly smaller than calves fed on hay only. Calves fed the wilted alfalfa silage consume less dry matter than calves fed hay. Reason for the decreased consumption of silage is not apparent. In these experiments the amount of grain consumed during the first 4 months of life was significantly correlated with gain in body weight.

3. *Magnesium requirements of dairy calves affected by type of diet.*—The magnesium requirements of dairy calves are higher when they are fed a milk diet than when the diet contains low magnesium hay. On similar levels of magnesium, the milk-fed calves developed signs of magnesium deficiency, including cardiovascular lesions. These symptoms were absent in calves whose diets contained hay. The calves on the milk diets also developed signs of vitamin E deficiency (white muscles). Addition of vitamin E to the diet corrected the white muscle condition but had no effect on the cardiovascular changes. These experiments indicate that the inclusion of hay in the diet of the young calf protects against cardiovascular and muscle changes which may occur on milk diets of similar magnesium content.

4. *New dairy-record plan proves popular.*—The new weigh-a-day-a-month dairy recordkeeping plan inaugurated during the past year as a third plan of the national cooperative dairy-herd-improvement program now has an enrollment of 3,008 herds consisting of 60,508 cows. This plan, together with the owner-sampler and the standard DHIA recordkeeping plan, includes approximately 64,000 herds and 2 million cows on which month-to-month dairy production and feed records are being kept. This is the largest number of herds and cows ever included in a dairy recordkeeping program.

5. *X-ray examination of calves proves useful in determining genotype for bovine dwarfism.*—The lumbar vertebrae of carriers of bovine dwarfism frequently show characteristic abnormalities which can be recognized by taking X-ray pictures of calves less than 10 days of age. Results of the X-ray technique at a number of cooperating experiment stations indicate that about 80 percent of the dwarf-free animals have recognizably normal vertebras, although this figure varies considerably in different bloodlines. Of 187 carriers that have been X-rayed, 167 or about 90 percent have shown recognizable abnormalities.

This technique is considered useful for screening potential breeding animals prior to progeny testing. It is not presently considered sufficiently accurate for use as a basis for merchandising cattle.

6. *Pelleting feed for steers increases efficiency.*—Pelleting a complete ground mixed ration for steers increased efficiency by more than 10 percent as compared to feeding the same ration unpelleted, or feeding the concentrates and roughage separately in trials at Front Royal, Va. Feed consumed per pound of gain was 9.3 pounds for the pelleted group as compared to 10.4 and 10.6 pounds for the other 2 groups.

7. *Selection of swine for low back fat indicated as means for modifying lean-to-fat ratio in carcasses.*—A selection experiment designed to determine how fast and

to what extent the lean-to-fat ratio in the hog carcass can be changed by selection has progressed to the second generation in a herd of Durocs and is now entering the first generation in a Yorkshire herd. In both breeds the plan is to develop, by selection in opposite direction, a line high in fatness and a line low in fatness. The primary criterion of selection in the various lines is back-fat thickness and a live weight of 175 pounds. Results of such selection in the Duroc herd showed it to be about 17 and 39 percent effective in the live animal in the first and second generations, respectively.

Carcass data obtained on samples of pigs show that low-line Duroc pigs consistently exceeded high-line Duroc pigs in yield of trimmed hams, trimmed loins, shoulder butts, and lean meat in hams. The difference between the high- and low-line pigs in yield of these 4 preferred cuts has reached about 1 percent, which is equivalent to a difference of about 2 pounds for each 200-pound pig marketed. Although the difference is not very large by itself, when multiplied by the millions of hogs marketed in the United States each year it would make a substantial difference in the supply of pork available in the form of the most favored product, namely, lean meat. Thus the results obtained to date strongly suggest that selection based on back-fat thickness may offer an excellent opportunity for quickly modifying the lean-to-fat ratio of hog carcasses.

8. *Amount and quality of protein in diet influence tolerance of the growing pig for free gossypol in cottonseed meal.*—For many years it has been a generally accepted belief that not more than 8 or 10 percent of cottonseed meal could be used with safety in swine rations because of the toxicity of free gossypol contained in it. Experiments during the past year have shown that both the level of total protein in the diet and the quality of this protein are factors in determining the amount of free gossypol which will be tolerated by the pig. At a given level of gossypol in the diet, resistance to toxicity was found to increase as the protein level was increased between 13 and 20 percent. Of greater significance is the finding that the tolerance for gossypol is related to the kind or quality of protein in the diet. With diets utilizing meals in which protein is of relatively greater biological value as determined by rat tests, there is markedly less susceptibility to toxicity from gossypol than with diets utilizing meals of lower protein quality. Further studies have been initiated to identify those factors in the dietary protein which influence the reaction of the pig to free gossypol.

9. *Protein levels in swine feeding and fat measurements compared.*—Comparisons between 2 levels of protein (14 percent versus 16 percent with subsequent reduction at fixed intervals on each level) showed that the higher protein level significantly reduced all fat measurements except weight of leaf fat in summer feeding trials, but not in winter. Hams produced on the higher protein diet contained more lean in proportion to separable fat and analyses showed higher moisture and protein and less fat.

Similar work at Iowa on barrows and gilts (Ashton et al. 1955) and on boars (Speer et al. 1957) showed significant decrease in backfat measurements with increased protein level of the diet. Protein level did not affect rate or efficiency of gain on pasture, but boars in dry lot showed improved gains and feed efficiency as protein increased from 13 percent to 19 percent but a decrease above the 19-percent level.

10. *Crosses of mutton breeds with Merinos prove superior to crosses within mutton breeds.*—The use of fine wool Merinos in crosses with mutton breeds gave production indexes superior to those obtained in crosses among the mutton breeds at Beltsville, in 1956. Average production indexes of 80.7, 107.8, 87.5, and 86.4 were obtained from matings of Merino ewes to Merino, Hampshire, Shropshire, and Southdown rams, respectively, as compared with an average production index of 74.7 for all 2-breed crosses of the 3 mutton breeds and 85.5 for all 3-breed mutton crosses.

11. *Range sheep can be bred for feed efficiency.*—Studies of range Rambouillet lambs at Dubois, Idaho, show a wide range of feed efficiency among individual lambs. A highly significant correlation was found between efficiency and average daily gain for ram lambs, indicating that selective breeding should prove highly effective in improving the feed utilization efficiency of range sheep. Results of these tests are as follows:

	Ram lambs	Ewe lambs
	Pounds	*Pounds*
Pounds of feed per pound gain	6.6 to 10.3	8.3 to 12.
Average daily feed consumption	5.65	4.30.
Daily gains	0.45 to 0.92	0.32 to 0.57
Average	0.73	0.43.

12. *New growth factor for chicks discovered.*—A chick-growth factor in egg yolk was discovered at Beltsville several years ago when, during biological tests for vitamin B_{12} potency of yolk, it was observed that the chicks responded to some material in the yolk other than B_{12}. The factor can be extracted from yolk with practically any fat solvent. It therefore appears to be entirely different from the other unidentified growth factors (fish, whey, and alfalfa factors) which are water soluble. When a high-energy basal diet containing animal fat and sources of the other 3 water-soluble factors is supplemented with egg yolk, a consistent increase in growth of 10 to 12 percent and considerable improvement in feed efficiency over the basal diet is obtained. Considerable progress has been made in concentration of the factor. Concentrates have been prepared which contain 30 times the potency of yolk. If cheap sources of the factor can be found and field trials should indicate even as much as 50 percent of the laboratory response, the result would be an improvement in broiler-production efficiency as great as from any single discovery of recent years.

13. *Dietary supplementation with fats significantly increases efficiency of feed conversion with both growing chickens and laying hens.*—In many experiments with growing chickens dietary fats increased the rate of gain but this is not as consistent as the improvement in efficiency of feed conversion. There is some improvement in feed efficiency with low levels (20 percent) of dietary protein, but optimum results are obtained when the protein content is increased along with the caloric level.

In experiments with laying hens results have been obtained which indicate that the calorie-protein ratio is not as critical as with growing chickens. Hens on protein levels ranging from 12 to 18 percent were tested on low- and high-calorie diets. The only difference noted in performance was a significant increase in efficiency of feed conversion on the high-energy levels. The ability of a 12-percent protein diet to support optimum performance has significant economic implications.

Experiments have been undertaken to test the effects of administration of estrogen-like compounds on diets of varying caloric levels with growing turkeys, but the only consistent results obtained were improvements in efficiency of feed conversion when fat was added to the diet. In all these experiments the added fat appeared to function solely as a source of energy. Other dietary constituents which have been shown to improve rate of gain and efficiency of meat conversion are the unidentified growth factors present in fish byproducts and egg yolk.

14. *Resistance of chicks to heat sudied.*—New Hampshire chicks especially bred for divergence of thyroid size have been exposed to high ambient temperatures (+95° F.) for 4 weeks. In newly hatched chicks the chief effects of high temperatures were depression of growth rate and thyroid size to approximately the same extent in both lines studied. Birds with large thyroids exhibited much less mortality at high temperatues than did those with relatively small glands. Assay procedures, using either a replacement therapy or a radioactive iodine tracer method, have shown that in these especially developed lines thryoid activity is greater in the large thyroid line than in the small thyroid lines. Thus, it appears probable that the thyroid hormone is important in enabling the chick to resist the adverse effects of high temperatures.

ANIMAL DISEASE AND PARASITE RESEARCH

15. *Satisfactory complement-fixation diagnostic antigen for anaplasmosis prepared in quantity from infected cattle blood.*—Pooling and standardizing individual lots of anaplasmosis antigen yield volumes sufficient to furnish cooperating laboratories a common product for research and surveys of incidence of the disease. With the presently used complement-fixation test it is now possible to prevent or control the spread of anaplasmosis from infected to noninfected animals in areas where the incidence of disease is low to moderate. This has been demonstrated in a number of herds in the United States and in the Hawaiian Islands.

16. *Control of leptospirosis studied.*—Controlled field studies strongly indicate that leptospira bacterins have little or no value in preventing the spread of leptospirosis in cattle. In studies of diagnosis of leptospirosis it was found that an incubation period of 10 minutes for the agglutination-lysis test is equally as efficient as the recommended one of 2 hours in obtaining maximum reactions. This finding adds to the practicality of this test as a potential tool in efforts to control this widespread disease.

17. *Mucosal-respiratory complex in cattle studied.*—Three immunologically different types of virus have been identified within this disease complex. One is responsible for the respiratory infectious bovine rhinotracheitis (IBR). Two type

produce alimentary system manifestations called Indiana and New York virus diarrhea. Recovery from the disease confers at least 6 months immunity which begins 6 to 12 days following infection. Basic virus studies show IBR virus is present in nasal secretions for approximately 12 days following infection, and can be recovered only by tissue culture procedures or cattle inoculation. The alimentary tract viruses (Indiana, New York) have been adapted to rabbits. Studies of the susceptibility of other livestock to the complex show that horses, sheep and swine are not susceptible to it but that goats are susceptible to the IBR virus.

Bovine embryonic kidney tissue culture vaccines have been prepared commercially which show very promising results. However, it appears that fattened steers are not as well immunized as nonfattened steers.

18. *Immunization of calves to infection with the lungworm found to be generally successful.*—Exposure to very small doses of infective lungworm larvae produced an immunizing infection so light that it did not interfere significantly with the normal growth of the test calves. After the animals eliminated this infection spontaneously, 85 percent of them proved highly resistant to reinfection. Generally, the calves so immunized were much less affected by lungworms than were the controls, when exposed to a like heavy dose of lungworm larvae. A trial with only one animal suggests that resistance to the cattle lungworm also can be produced by giving a calf infective larvae of a sheep lungworm, which does not mature in cattle.

19. *Compound tested as cattle parasite treatment.*—Because of wide interest in the systemic phosphorus insecticide Trolene (ET–57), the compound was studied for its potential action against common worm parasites of farm animals. In cattle, standard dosages of this compound efficiently removed common stomach worms, and slightly larger doses also removed medium stomach worms and small intestinal worms. This is the first instance of efficient anthelmentic action against the last-named parasite.

20. *Halogeton poisoning in sheep studied.*—Feeding trials using pregnant ewes throughout the gestation period, showed that sublethal doses of halogeton glomeratus failed to produce abortions, but kidney damage occurred in all animals to such a degree that it would cause large economic losses in decreased wool production, loss of body weight, and decreased milk for nursing lambs. Kidney impairment was not corrected when feeding halogeton ceased. In all cases there was a gradual decrease in red blood cell volume, though blood calcium remained normal. Steamed bone meal, defluorinated rock phosphate, and dicalcium phosphate, fed at less than 1 gram per pound body weight, together with a lethal dose of halogeton, showed that dicalcium phosphate prevented any symptoms of poisoning, defluorinated rock phosphate markedly reduced symptoms, but steamed bone meal hastened death.

21. *Filarial dermatosis of sheep cured by a new antiparasitic drug.*—This unsightly verminous skin disease of sheep which occurs in the mountains of the West was cured in 4 sheep by use of piperazine. The piperazine treatment is given in the drinking water over a period of 3 days. The best previously proven treatment involved a course of 8 daily intramuscular injections of tartar emetic. Filarial dermatosis, locally called "sore head," was first described by a Department worker in 1938, who also developed knowledge of its cause, distribution, and treatment.

22. *Sheep head grubs treated successfully with Trolene.*—For treatment of infestations of head grubs, which affect sheep everywhere, the use of Trolene has proved a safe, efficient, and simple medication. This organic phosphorus compound was almost 100 percent effective in destroying the first-stage larvae of the parasites. It showed a net efficiency of 88 percent against all stages when administered as a drench. Efficacy against later parasitic stages was materially greater at increased dosage. The only efficient treatment heretofore available consisted of the intranasal instillation of saponated cresol (Lysol), a treatment developed by Department workers in 1940. Treatment with Trolene is altogether better from standpoints of safety, efficiency, and simplicity than with saponated cresol.

23. *Atrophic rhinitis studies continued.*—Transmission studies of atrophic rhinitis have shown that during the summer months, infection does not remain in lots contaminated with this disease. Susceptible pigs 2 to 6 months of age, placed on contaminated pasture lots 28 days after infected swine had been removed, failed to develop the disease within 113 days.

24. *New antibiotic proves effective in control of large roundworms and whipworms in swine.*—The medicated fee containing 20 to 40 grams of the new antibiotic hydromycin per ton of feed was fed for 5 weeks. It exhibited considerable efficacy against large roundworms and whipworms and caused no disturbance to the animals. In other trials, aureomycin, a common additive to growing rations, showed no action. This is the most promising finding so far recorded of an antibiotic action against worm parasitism in any class of livestock.

25. *Emulsified (water-in-oil) vaccine developed for immunization of chickens against fowl cholera.*—This vaccine has protected approximately 80 percent of chickens on test against experimental infection for a 6-month period.

26. *New method of control of blackhead in turkeys appears promising.*—Turkeys given rectally an immunizing infection of a harmless type of the blackhead parasite developed an immunity, which enabled most of these birds to resist a severe challenging infection of the injurious type of blackhead organism. Infections did not develop in about half of the immunized birds challenged 3 weeks after immunization, and in none of those challenged after 6 weeks. Immunization of turkeys to blackhead with a harmless type of the parasite offers promise of an improved method of controlling this disease.

27. *Comparison made of effects of trichomonads and coccidia on young turkeys.*—Young birds affected at the same time with both of these microscopic parasites of the intestine, suffered severely from diarrhea, loss of appetite, and arrested growth. The birds which acquired heavy infections of trichomonads, along with moderate infections of coccidia, became sick, and about half of them died. Apparently trichomonads alone are not very harmful to turkeys. Coccidia can do serious harm when present in large numbers. In the cases under study, the coccidial infections were so light that less than 1 percent of the birds were affected, and these not too severely. Apparently the combination of the two parasites produces a more severe effect than either one by itself.

28. *Additional laboratory test provided for vesicular diseases.*—Methods have been developed for growth and propagation of kidney tissue cells in sheet form on glass surfaces. Kidney cells of guinea pigs, swine, and cattle have been adapted to these methods of culture. This provides a means for extensive studies using genetically similar animal tissue cells with a savings in numbers of animals used. The virus of vesicular stomatitis has been adapted to outgrowths of such tissue cultures of these species, and methods have been developed for propagating this virus in suspensions of kidney cells of cattle, swine, and guinea pigs. As a result of the development of these tissue cell and virus propagation methods, it is possible to conduct serum neutralization tests using serum from vesicular stomatitis infected or recovered animals, thus providing another laboratory test for use in differential diagnostic tests for vesicular diseases.

29. *Virus of foot-and-mouth disease purified and photographed.*—The virus of foot-and-mouth disease has recently been purified, isolated, and photographed. Electron micrographs of the virus reveal that it is spherical in shape, and about one-millionth of an inch in diameter. This is the smallest of any of the viruses affecting animals. These new findings regarding the physical makeup of the virus are expected to speed research on foot-and-mouth disease through better understanding of its chemical and physical properties. This disease has great economic importance to livestock production throughout most of the world.

CROPS RESEARCH

30. *Breeding for resistance to spotted alfalfa aphid progresses.*—Rapid progress has been made in developing spotted alfalfa aphid-resistant varieties for those regions where the resistant Lahontan is unadapted. The most promising experimental combination to come out of this work in 1956 is a vigorous, quick recovering alfalfa designed for Southwestern United States, an area where the spotted alfalfa aphid has caused serious damage since 1954. Seed of this alfalfa was increased during the winter to facilitate wide-scale testing and was further increased in crop year 1957. Tests to date of this alfalfa show it to be equal to the variety Lahontan in spotted alfalfa aphid resistance, and to be equal to the variety African in forage yield in the Southwest. Work on resistant varieties for other areas is continuing with the hope of meeting at an early date the needs of the 30-State area where this pest caused an estimated damage to alfalfa in excess of $40 million in 1956.

31. *New dwarf castorbean released.*—Dawn, the first dwarf castorbean variety, was released by the Department and the Texas Agricultural Experiment Station in April 1957. In addition to satisfactory yields that have ranged from 2,000 to 2,700 pounds per acre under good growing conditons, the dwarf growth habit of Dawn adds substantially to ease of cultivation, ease and speed of harvesting, and reduces the losses encountered in harvesting taller varieties. Using the Department's new harvester-huller, harvesting losses with Dawn averaged less than 5 percent in 1956. The favorable results obtained with dwarf varieties in the High Plains of Texas indicated that they have excellent potentialities in other areas when adapted disease-resistant varieties could be developed.

32. *Results obtained in development of high-amylose corn.*—Cornstarch with 80 to 90 percent of amylose would have a potentially large market—many millions of bushels a year—for industrial and special uses. These include the manufacture of films, fibers, and special coatings of various kinds. Normal cornstarch has only about 28-percent amylose but several genes have been found in corn that individually increase amylose content from 37 to 60 percent. In cooperative work at the University of Missouri, 2 of these genes were combined to produce corn that carried 80-percent amylose. With these highly promising results an intensive search for additional high-amylose genes is planned.

33. *Plant growth stimulated by gibberellic acid.*—Gibberellic acid has markedly stimulated the rate of growth of over 50 kinds of economic plants of various genera and species. The compound was effective when applied to the stems, leaves, or roots of plants as an aqueous dip, soak, or spray at widely varying concentrations of 0.001 to 1,000 parts per million. It was also effective when applied as a localized steam treatment in lanolin paste mixture of 0.01- to 1.0-percent concentration.

Most of the treated plants became larger and heavier than comparable untreated ones. In the case of pinto beans and soybeans used in greenhouse experiments, the increases in fresh and dry weight due to treatment amounted to 20 to 35 percent. Field-grown celery plants sprayed once during September with a 0.05 percent concentration of the acid became 10 percent heavier in dry weight and the stalks were 3 times as long and thick as unsprayed ones. Judging by the degree of frost damage late in the season, the treated celery plants were more succulent, and thus were more severely damaged by prevailing low temperatures than were the untreated ones.

Similar increases in overall growth due to treatment were recorded for certain shade or forest trees, such as willow oak, tulip poplar, red maple, and loblolly pine. Ornamental plants such as dahlia, geranium, and petunia, as well as agronomic or vegetable crop plants such as bean, sunflower, tobacco, pepper, cabbage, and brussels sprouts, were induced to develop taller and heavier above-ground parts.

34. *Two new potential flue-cured tobacco varieties evaluated.*—Two advanced flue-cured tobacco breeding lines, developed in the cooperative program in South Carolina and designated as P. D. 83 and P. D. 97, are currently being evaluated in regional variety tests throughout the flue-cured tobacco-producing area. Both of these lines carry high resistance to black shank and moderate resistance to Granville wilt diseases. Preliminary information indicates that these lines are moderate in yielding ability, but possess quality characteristics equal to and generally better than black shank resistant flue-cured varieties now available. On the basis of physical and chemical characteristics of cured leaf samples, both of these lines appear promising as potential new varieties.

35. *First single-cross hybrid grass released.*—Tifhi–1 bahiagrass developed in cooperative work in Georgia represents the first attempt to introduce a single-cross hybrid forage grass into commercial channels. Tifhi–1 is a cross between Pensacola bahiagrass clones 14 and 108. Hybrid seed is produced by planting the two self-sterile clones vegetatively in alternate strips. Clone 108, which is superior in shattering resistance to regular Pensacola and clone 14, should be grown in 30-foot strips alternated with 10- to 15-foot strips of clone 14. In a 4-year grazing study at Tifton, Ga., Tifhi–1 bahiagrass produced an average of 69.6 pounds more gain in live animal weight per acre per year than the Pensacola check. Test steers grazing these two grasses made essentially the same daily gains, indicating that they were similar in quality.

36. *Cottonseed bred for low gossypol content.*—Cottonseed contains a pigment, gossypol, which because of its toxicity limits the usefulness of cottonseed meal as animal feed. This pigment is present in small glands. At Shafter, Calif., and Raleigh, N. C., breeding work is aimed at reducing numbers of these glands.

Using wild cottons with reduced number of pigment glands, it has been possible to recover segregates having low gossypol in crosses and through intensive selection to effect their complete elimination. The relation between low gossypol and yield is now being studied in crosses with commercial varieties. A number of lines with different percentages of gossypol are being stabilized and used in tests with animals to determine toxic levels.

37. *Plant introductions aid development of superior crop varieties.*—A new sorgo variety, named Wiley, has been released for the Southeast. It has resistance to most of the leaf and stalk diseases prevalent there, unusually fine quality sirup, and late maturity. Under disease conditions it produces from 15 to 25 percent more sirup and feed than other commercial varieties. Wiley was produced from a 3-way cross, 2 parents of which were obtained from Africa as plant introductions.

Much of the disease resistance and vigor of Wiley is attributable to the African strains.

The introduction of a wild spinach strain collected in Iran by a Department plant explorer in 1940 played a major role in attaining high resistance to downy mildew (blue mold) in a newly released variety, Califlay. The new spinach was developed by the California Agricultural Experiment Station from a cross involving the commercial variety Viroflay and the strain from Iran.

As a basis for future progress, 13,133 collections of seed or other living plant material were introduced from abroad in the past year for cultural screening for possible use in crop production programs. Heavy emphasis continues on better forage and range materials and more than one-third of the material obtained was in this category. Approximately 1,000 collections of plant material were made for chemical composition studies in utilization research. Through cooperation with Longwood Gardens of Pennsylvania, extensive series of new ornamentals were procured in Japan and Europe. Main emphasis was on broad-leaved evergreens.

38. *International small grain nurseries help combat rust in the United States.*—Frequent occurrence of new and virulent races of rusts of small grains throughout the world emphasizes the necessity for locating sources of resistance prior to the establishment of these races in the United States. The international rust nursery program, with cooperating nurseries in 26 foreign countries, has expedited efforts to solve these potentially acute problems. Already, sources of resistance to highly virulent strains of the crown rust of oats, which occur in Brazil and Argentina, have been identified. These sources of resistance were used immediately in breeding programs and are now incorporated in early generation hybrids. This is fortunate since races of crown rust similar to those in South America are appearing this year in the commercial oat fields in the United States.

In the case of wheat stem rust, about 50 sources of resistance to the highly virulent race 189, common in Peru, have been found through the international rust nursery testing project. Some of the sources of resistance to this race have been incorporated in such spring wheats as Conley from North Dakota, and several unnamed selections of crosses made in Minnesota.

In 1956 a highly virulent race of leaf rust of wheat appeared in Spain, but lines of wheat resistant to it were found in the international rust nursery. Some of these lines were already being used in breeding winter wheat. The progeny of such crosses are being included in current nurseries in Spain to check their resistance.

39. *Chemical fruit thinning improved.*—Research at Beltsville, Md., has shown that when the liquid detergent Tween 20 is added to NAA (naphthaleneacetic acid), its effectiveness as a fruit thinning spray is greatly increased. Five parts per million of NAA with Tween 20 (1 part of detergent to 800 parts of water) has proved as effective in fruit thinning as 20 parts per million without Tween 20 and results in less injury to the foliage. The Tween 20 greatly enhances penetration of NAA into the foliage. Penetration is greater in leaves that have been exposed to temperatures of freezing or slightly below than in leaves not exposed to such temperatures, so that concentrations for fruit thinning should be reduced when even light frosts have occurred prior to time of application. These findings eliminate much of the guesswork in this method of fruit thinning.

40. *New vegetables and fruits released.*—A new potato, Tawa, derived from a cross between two seedlings, has been released jointly by the Department and the agricultural experiment stations of Iowa and Michigan. Tawa is an early white variety with smooth tubers. It is immune from latent mosaic and has resistance to scab, late blight, and mild mosaic. In the North Central States, Tawa is comparable to Irish Cobbler and should be valuable to growers in this region, where those diseases are serious problems.

A new pink-fruited tomato, Pinkshipper, highly resistant to fusarium wilt has been developed and released to seedsmen for increase. The new variety produces a heavy yield of smooth, globular fruit and has received much favorable comment on its performance in cooperative trials in the South. It has been widely tested and should be especially valuable in regions where fusarium wilt is prevalent and pink tomatoes are desired for field or greenhouse culture.

Blackstone, a new disease-resistant, large, round watermelon has been developed and released by the Department's laboratory at Charleston, S. C. It affords much-needed resistance to anthracnose and a useful degree of tolerance to fusarium wilt in this very popular Black Diamond type of watermelon. Blackstone is dark green, relatively free of hollow heart and white heart, of high quality, and has a hard rind; it stands long distance shipping well.

Three new strawberry varieties and one blackberry variety have been developed and released to nurseries during the past year. Two of the strawberry varieties were developed at Beltsville, Md. Earlidawn is extra early, frost resistant, large fruited, and brightly colored. Redglow is an early variety resistant to red stele root rot. Surecrop, developed in cooperation with the Maryland Agricultural Experiment Station, is a late variety, also resistant to red stele root rot. The Marion blackberry, developed in cooperation with the Oregon State Agricultural Experiment Station, is a large fruited, very high quality, midsummer variety, particularly well adapted to freezing.

41. *Pelleted range grass seed fails to improve stands.*—Cooperative research on Bureau of Land Management and Indian lands in eastern Idaho has conclusively demonstrated no advantage from the use of coated pellets of crested wheatgrass in establishing grass on arid rangelands. Almost identical results were obtained from all broadcast seedings, whether by hand or airplane, with pelleted or natural seeds. Applied at a rate of 6 pounds of seed per acre, these broadcast methods averaged 0.3 seedlings per square foot. Drilling of unpelleted seeds averaged 4.5 seedlings per square foot.

42. *New herbicides tested.*—The herbicide 2,3,6-TBA (2,3,6-trichlorobenzoic acid) has given outstanding control of field bindweed in Kansas and shows more promise for control of this weed than any other material ever tested in that area. 2,3,6-TBA has also shown good promise for the selective control of weed bromegrasses and wild garlic in Kentucky bluegrass sod. Preliminary studies at Beltsville, Md., and cooperative investigations at Columbia, Mo., indicate that another new herbicide, simazin, has much potential as a pre-emergence herbicide for controlling weeds in corn because of the unusually high tolerance of corn to the compound and the apparently low tolerance of annual weeds that occur in corn. These observations on simazin are supported by results of field trials conducted under a wide range of soil and climatic conditions.

43. *Control of nematodes reduces cotton-production hazard.*—In the Southeast, cotton is often attacked by sting nematodes. Apparently damage caused by the nematodes makes the cotton more vulnerable to damage by the fungus which causes cotton wilt. A combination of the two may destroy a large part of the crop in a field. In 1 Georgia field, where sting nematodes and cotton wilt were prevalent, less than 100 pounds of lint cotton per acre were produced. When the nematodes were controlled by soil fumigation at a cost of about $15 per acre, the crop was more than 600 pounds of lint cotton per acre. In the Southwest, cotton planted in fields infested by root-knot nematodes may be subject to post-emergence damping-off with a considerable proportion of the seedling plants being killed. In a field in Arizona, control of the root-knot nematodes at a cost of about $20 per acre resulted in survival of more seedlings and an increase of more than $200 per acre for the value of the crop.

44. *Facilities developed at the National Arboretum.*—Considerable advance has been made in improvement of physical facilities at the National Arboretum, Washington, D. C. With the exception of 2 service roads, all remaining parts of the 8½ mile road system, developed by the Bureau of Public Roads, have now been completed to the surfacing stage, including construction of the main entrance parking area and grading and seeding of roadbanks. Blacktop surfacing has been completed on 2 miles of roads near Mount Hamilton. Current contracts provide for surface paving of a major part of the new construction together with completion of two additional box culverts over Hickey Creek. In addition, a new brick service building has been erected as a replacement for the old structures near the main entrance, and 2 brick comfort stations have been constructed, 1 near the main parking area and 1 near the display plantings on the northeast side of the Arboretum.

Plant collections for research projects, including plant breeding, testing, evaluation, and public educational displays, were increased by approximately 1,000 accessions. Notable among these were 118 species, varieties, and forms of viburnum, 12 species of eucalyptus from the coldest region of Tasmania, and 141 selections of cold-hardy boxwood from the Balkans. Newly developed plantings include the addition of 1,600 plants of azaleas in 700 varieties and 600 camellias in 171 varieties for cold-hardiness testing in the display area.

ENTOMOLOGY RESEARCH

45. *Progress made in basic research on the boll weevil.*—A semisynthetic diet on which the boll weevil can be reared under laboratory conditions has been found. This will insure a continuous supply of weevils of known age and lineage for large-

scale experimental use, and permit the determination of this insect's exact nutritional requirements. Raising boll weevils on a controlled, semisynthetic diet opens up several promising research leads, such as (1) a basis for breeding a variety of cotton that does not satisfy the nutritional requirements of the insect; (2) feeding something into the cotton plant that will prevent the normal development of the boll weevil and other insects feeding on it; and (3) development of attractants that may be extremely useful in control. It may also reveal some physiological weakness that can be useful in developing new and more effective control measures. This is the first instance of a plant-feeding weevil being reared on a synthetic diet under laboratory conditions.

46. *Diseases of insect pests offer promise as biological control agents.*—A disease capable of killing a wide range of host insects has been isolated from codling moth larvae obtained from an abandoned orchard where there was 80 percent control of this important insect pest. The disease is caused by a bacterium and a nematode working in a symbiotic relationship. The nematode carries and inoculates its insect host with the bacterium, which kills and preserves the host for the nematode. This disease presents no threat of damage to crops or livestock. A number of important pests, including the pink bollworm, boll weevil, corn earworm, tobacco budworm, and the asparagus beetle, have been found susceptible to the disease.

Several species of parasitic fungi have demonstrated their ability to control the spotted alfalfa aphid in natural disease outbreaks. A lag of several years has occurred between the first appearance of the spotted alfalfa aphid in a new area and the appearance of these parasitic fungi. An effort is being made to devise a means of establishing the fungi in areas newly infested by the aphid.

Preliminary studies indicate that a bacterium, *Bacillus thuringiensis*, is effective against hornworms on tobacco. This bacillus is also virulent against a number of other insect pests, and preliminary laboratory and field tests have given promising results against a number of them.

47. *Explorations conducted for natural enemies of halogeton.*—Preliminary explorations have been carried out in Spain, north Africa, and the Middle and Far East for insects and plant pathogens affecting halogeton (Halogeton glomeratus Mey) and related plants. About 100 species of insects were found associated with some 20 species of plants of the suborder *Salsoleae*, to which halogeton belongs. Of these, 20 to 30 species are considered to have promise as possible biological control agents. All will be carefully studied, and some are being tested now to determine their effect on halogeton, and whether they will attack crop plants.

48. *Screwworm pilot test completed.*—A pilot test to evaluate and improve procedures that can be used to eradicate screwworms by the release of sterile male flies was completed in Florida during the summer of 1957. Facilities were provided for rearing 2 million flies per week. In this test, flies made sexually sterile by exposure to radioactive cobalt were released systematically over a 2,000-square-mile area by airplane, at a rate of 500 flies per square mile per week. The sterile males mated with native females and the resulting egg masses did not hatch. After 4 months of releases, 40 to 70 percent of the eggs in the treated area were infertile. Complete elimination could not be demonstrated because of migration of fertile females from surrounding untreated areas, but details of operational procedures to be followed in an eradiction program were further developed.

49. *Advances made in systemic insecticides for cattle grubs.*—The systemic insecticide ET–57, also known as Trolene, shows exceptional promise for the control of cattle grubs after wide-scale evaluation by State, Federal, and industry workers during the past 2 years. This material is given orally to cattle and destroys the grubs before they appear in the back. The Department has accepted the compound as being nonhazardous when used as directed. Research has also demonstrated at least 2 other promising systemic insecticides. One of these, Bayer 21/199, is effective as a systemic when applied as an external spray during the late summer and early fall before the grubs appear in the back. The insecticide is absorbed through the skin in small amounts and destroys the young grubs in the body of the animal. The other systemic compound, known as American Cyanamid 12880, has shown considerable promise in preliminary tests for control of the cattle grubs, as well as other livestock insects.

50. *Insecticide residue studies provide more practical insect-control measures for vegetables.*—Intensive studies in 1956 on the deterioration of malathion residues on vegetables showed that it is practical to apply this insecticide to some crops between commercial pickings. For example, as a result of these studies, growers can now apply malathion to squash and cucumbers up to 1 day before harvest.

Previously, it was necessary to recommend they not treat within 3 days of harvest, even though in commercial practice it is often desirable to pick these crops every 2 days. In 1957, emphasis was placed on the determination of residues of methoxychlor on about 25 vegetables and berries. Of the many insecticides that need to be included in this study, malathion and methoxychlor were selected for primary emphasis because of their relative safety and their general effectiveness against a wide variety of crop pests.

51. *Honeybee proves of value in tests to detect insecticide residues in food products.*—The sensitivity of the honeybee to a wide range of insecticides makes it possible to capitalize on the microinjection technique recently developed to detect insecticide poisoning in insects, and to detect insecticide residues in various food products. The technique consists of injecting into the abdomen of the bee a solution of the material suspected of containing an insecticide, and similarly injecting bees with an acetone-water solution as checks. The honey bee is tolerant to injections of unadulterated peanut oil and of unadulterated animal fat. However, when injected with animal fat containing insecticide residue that was dissolved in peanut oil, bees have quickly succumbed. A bioassay made by using bees is inexpensive, results are quickly obtained, and are fairly uniform.

52. *Data on mosquitoes of medical importance being published.*—A comprehensive treatise on the mosquitoes of medical importance is being published as a Department handbook. This volume consists of 67 pictorial keys designed to permit identification of medically important species of mosquitoes occuring in various parts of the world; a summary of the important mosquito-borne diseases of man; and discussions of geographic and climatic factors that influence the abundance of mosquitoes. Also included is a discussion of common pest mosquitoes in the various regions of the world.

SOIL AND WATER CONSERVATION RESEARCH

53. *Method developed for determining field-erosion losses.*—Storm energy times maximum 30-minute intensity has been identified as the rainfall characteristic responsible for a very high percentage of soil loss from individual storms. Use of this new method will reduce the time for practice and factor evaluation to a 2- to 4-year period instead of 10 to 20 years required with natural rainfall. Identification of this rainfall characteristic is the first step in determining the erosion potential of different climatic areas. It provides greatly increased accuracy of the erosion equation, which is the basis for the slope-practice method of scientifically applying conservation measures to farm fields, and for estimating sediment production from upstream areas in watershed-protection programs. Further refinement of the erosion equation can be made now by providing accurate evaluations of soil-management practices and soil-erodibility factors through use of a recently developed field-plot-size rainfall simulator.

54. *Nitrogen isotopes enable scientists to detect small quantities of biologically fixed nitrogen.*—The fixation by soil organisms of atmospheric nitrogen into forms which plants can utilize is of great importance in agriculture. Research on the nature of biological fixation of nitrogen in soils has been handicapped by difficulty in measuring the fixed nitrogen. Department scientists have now worked out techniques, using a stable isotope of nitrogen (one-fourteenth heavier than ordinary nitrogen) which permits them to measure accurately the fixation of less than 1 pound of nitrogen per acre. Development of this technique will permit comparison of different nitrogen-fixing organisms and the effects of different soil treatments on the rate of nitrogen fixation. Data from such comparisons will form the basis for methods of increasing biological nitrogen fixation in field soils.

55. *Lysimeters account for water utilization and streamflow.*—Lysimeters used in hydrologic studies at Coshocton, Ohio, are giving much information on soil and water relations, surface runoff, and percolation through the soil. Results show that, of Ohio's average 38 inches of rainfall, 13 inches go as surface runoff or soil percolation into the streamflow; 25 inches go into the air by evapo-transpiration from soil and plants. In 1953, when only 29 inches of rain occurred, only 4 inches of water remained for the streams after evapo-transpiration from soil and plants. Accounting for the disposition of precipitation is of value in understanding the hydrologic cycle and in the planning of watershed development.

Each lysimeter comprises a 65-ton monolith of earth resting on a giant scale. Its surface area is one-five-hundredth acre, representing conditions in the surrounding field area. Year in and year out, the weight of this earth block is automatically recorded every 10 minutes. Variations as little as 0.01 inch of water are shown. The scale is tipped to the plus side by the evening dew, to

the minus side by evapo-transpiration from ground and foliage, and by percolation through an 8-foot depth of soil.

56. *Method developed for removing bacteriological deposits from drainage-tile lines.*—Studies in the Imperial Valley, Calif., have resulted in the development of an effective technique for removing bacteriological deposits from drainage-tile lines. Two types of deposits—one black in color and the other reddish, resembling iron rust—have accumulated in the joints and within the tile drains and have seriously reduced both the rate of water inflow and the carrying capacity of tile drains. Research showed that the deposits resulted from microbiological activity, the black material being composed mainly of manganese dioxide and the red material being mainly iron oxide. Efforts to remove the deposits by scraping with wire brushes proved ineffective, but a combination of chemicals has been found to dissolve the foreign deposits. A technique has been worked out for chemically treating the tile drains on a field scale with a solution of 2 percent sodium bisulfite and 5 percent sulfuric acid. This readily dissolves the material from the tile lines. Cost for chemicals is from $3 to $5 per acre for an average tile-drain installation. Studies are in progress to evaluate the permanence of this treatment and to investigate other methods whereby the cost for improvement may be reduced.

57. *Research provides better understanding of the mechanism of nutrient uptake by plants.*—Recent work at Beltsville, Md., has led to new understanding of the process through which plants take in mineral nutrients. The concentration of nutrients within the plant-root cell is usually higher than in she soil solution outside the plant root. In order for this difference in concentration to exist, some pumping system operates in the root cells. During the past year research workers at Beltsville have made discoveries leading to a much better understanding of the nature of this pumping system. The energy required to keep the system operating comes from the breakdown of enzymes of organic compounds during the respiration process. The knowledge gained from this research has already provided a better understanding of important processes in soil fertility and plant growth, and may also provide a basis for more rapid and accurate evaluation of plant materials in plant-breeding programs.

58. *Low-cost drains under development.*—At Ithaca, N. Y., initial field tests were undertaken with a modified mole plow that will form a conventional mole drain and at the same time install a horseshoe-shaped plastic liner. The purpose of the liner is to prevent sediment and topsoil from blocking the channel. Initial trials show that partially lined channels of this type can be constructed at a rate of about 1 mile per hour and at a cost of approximately $0.08 per foot. This is about one-third the cost of a conventional tile installation. Work is being continued on both screening plastic and metal materials for lining and development of a method for forming a complete perforated tube to give protection to the channel floor. This will form the basis for extensive field testing with the lined drains.

59. *Hydraulic properties of crop vegetation in channels and on floodplain lands evaluated.*—At the Stillwater, Okla., outdoor hydraulic laboratory tests have been run during the past year on various crop vegetations to determine their protective and retardance qualities. In general terms the findings indicated that: (1) For those flows which submerged the vegetation, the retardance factor is related to the height of the crop with only a slight effect associated with row or planting direction; (2) for shallow flows the spacing and row direction are major factors with respect to flow retardance; (3) Bermuda and Reeds Canary grass have been found to withstand prolonged flows without damage, and in fact seemed to benefit from prolonged wettings. This indicates that they are very well adapted as protective measures in channels where prolonged wet conditions are encountered. Methods have been developed to facilitate the hydraulic design of various vegetated channels used for water conveyance. The information enables calculation of the carrying capacity of terrace channels in different crops, the design of reservoir spillways where vegetation is used for stabilization purposes, and is also applicable in computing the flow of water for situations encountered on irrigated fields and on floodplain lands.

60. *Solubility in water influences efficiency of fertilizer phosphorus.*—Current practices in the manufacture of mixed fertilizers are tending to lower the proportion of the phosphorus that is soluble in water and to increase markedly the particle size of the products. As shown by greenhouse and field studies, the yield response of fast-growing crops to fertilizer applications often is influenced significantly by the solubility of the phosphorus in relation to the particle size of the fertilizer. Fertilizers that combine low solubility with large particle size show poor response. It was found that the adverse effect of this interrelationship is lessened when readily soluble salts of nitrogen or potassium are included with the

phosphate in the fertilizer granule. The factors contributing to the maintenance of high levels of water-soluble phosphorus in mixed fertilizers were also determined.

61. *Builtup asphalt lining developed.*—A builtup asphalt lining has been developed to reduce water seepage from exposed irrigation ditches. The ditch invert, including the trenches used to anchor the lining on the banks of the ditch, is sprayed with hot asphalt at 375–400° F. at a rate of about 0.75 g. s. y. (gallons per square yard). Jute is laid on the warm asphalt and a second application of asphalt is sprayed on the jute. A second layer of jute is then applied, with a final top coat of sprayed asphalt. Total asphalt application is about 2.0 g. s. y. with two layers of jute and 1.5 g. s. y. with one layer. These linings have been tested in Arizona under hot weather and in Utah under freezing weather conditions. They have shown good durability over a 2-year period and are less expensive to install than the plank type or thick prefabricated asphalt linings. The materials, labor, and installation costs at Roll, Ariz. were 72 cents per square yard for the 2-ply lining and 48 cents per square yard for the 1-ply lining.

62. *Cellular concrete block used for streambank revetment.*—A new type of revetment material for use in stabilizing eroding streambanks was developed and subjected to field testing on Buffalo Creek in New York State. Precast cellular concrete blocks 4 x 16 x 24 inches are being studied as an alternative to stone riprap now extensively used as a streambank protective measure. Performance of this type revetment as a trial installation compares quite favorably with adjacent reaches of stone revetment when subjected to high water velocities and the impacts and abrasion of a heavy ice floe following a winter storm. Additional installations are being projected to record the performance under a wider range of channel geometry and flow conditions. This development is one outgrowth of continuing research to extend the knowledge of erosive forces in natural stream channels and devise new and improved methods for reducing channel migration and losses due to bank erosion. Indications are that the cellular blocks may have distinct advantages over the more conventional revetment types.

FARM ECONOMICS RESEARCH

63. *Income changes from 1955 to 1956 vary widely among types of farms.*—Although the general level of net income per farm for farms of all types and sizes averaged nearly 7 percent higher in 1956 than in 1955, returns varied considerably by type, size, and location of farm. Net returns in 1956 were higher than in 1955 for 16 of 29 types of commercial farms; about the same on 3; and lower on 10. Corn Belt farms were the only major type group on which changes in income from 1955 to 1956 were all in the same direction. These farms all showed increases in 1956. Net returns by type of farm ranged from a high of about $21,060 per farm for large-scale cotton farms in the Mississippi Delta to a loss of $1,250 on Southwest cattle ranches (table 1 and fig. 1).

Changes in net returns from year to year are largely the result of changes in crop yields and prices. Over the long run changes in size of farm and production efficiency are important factors (fig. 2). All of the farm types which had increases in net returns from 1955 to 1956, except sheep ranches in the Northern Plains and cattle ranches in the Intermountain region, had increases in crop yields. Prices received for products sold increased from 1955 to 1956 on all but four of the types of farms which showed increases in net returns.

Total inputs (a measure of size) have increased since 1937–41 on all farms for which data are available back to the early 1930's. This has occurred even though the amount of labor used per farm generally has declined. Production per hour of labor is now well above the 1937–41 average on all 29 types of farms. Man labor has been replaced in many instances by mechanical labor-saving devices, particularly on crop farms. Total production per unit of input is now well above the 1937–41 level on all the types of farms studied. Production per unit of input in 1956 was higher than in 1947–49 on 17 of the 29 types of farms studied.

Tentative estimates of prospective net returns for four types of farms for 1957 indicate the following changes in net returns per farm from 1956 to 1957: Northeast dairy farms up 20 percent, hog-dairy farms in the Corn Belt up 22 percent; Piedmont cotton farms down 4 percent; and winter wheat farms in the Southern Plains up 47 percent. Despite the large increase in net returns from 1956 to 1957 on winter wheat farms, average returns are still below the 1947–49 average. They are higher in 1957 than in 1947–49 on the other three types of farms.

TABLE I.—*Net farm income, commercial farms by type, size and location, 1956, with comparisons*

Type of farm and location	Average		1953	1954	1955	1956 [1]
	1937–41	1947–49				
Dairy farms:						
Central Northeast	$960	$3,892	$3,493	$3,735	$4,248	$4,248
Eastern Wisconsin	1,480	4,365	3,760	3,219	2,816	3,365
Western Wisconsin	1,236	3,284	3,159	2,382	2,434	3,005
Corn Belt farms:						
Hog-dairy	1,642	5,639	6,027	6,379	4,372	5,092
Hog-beef raising	928	3,370	3,357	2,945	3,016	3,333
Hog-beef fattening	2,520	10,665	7,055	8,833	4,433	6,898
Cash-grain	2,627	8,930	7,471	8,393	6,516	9,141
Tobacco farms:						
Tobacco-livestock (Kentucky)	1,192	3,334	3,457	3,439	2,850	3,200
Tobacco-cotton (North Carolina)	[2]	3,208	3,240	2,927	3,550	3,469
Small tobacco	[2]	2,354	2,611	2,380	2,885	2,826
Large tobacco-cotton	[2]	3,923	4,042	3,326	4,463	4,636
Cotton farms:						
Southern Piedmont	495	1,565	1,918	1,438	2,297	1,708
Black prairie, Texas	1,019	3,090	3,491	1,724	2,502	974
High plains, Texas (nonirrigated)	1,675	6,411	−640	4,637	2,755	3,326
High plains, Texas (irrigated)	[2]	10,761	8,448	13,205	7,243	12,736
Delta:						
Small	[2]	1,923	2,073	1,581	2,033	1,660
Large-scale	[2]	20,465	24,668	16,943	25,807	21,059
Peanut-cotton farms, Southern Coastal Plains	[2]	2,313	2,660	2,231	3,196	3,121
Spring wheat farms (Northern Plains):						
Wheat-small grain-livestock	872	6,323	4,075	2,133	6,052	6,992
Wheat-corn-livestock	1,127	5,972	4,201	3,397	2,547	3,356
Wheat-roughage-livestock	533	5,370	4,512	2,813	4,259	3,122
Winter wheat farms:						
Wheat, Southern Plains	1,174	10,017	4,961	7,240	4,914	3,252
Wheat-grain sorghum, Southern Plains	1,092	9,433	1,083	3,314	1,647	2,349
Wheat-pea (Washington and Idaho)	2,764	11,864	14,705	16,048	9,989	13,895
Northern Plains:						
Sheep	2,734	6,908	5,287	4,299	4,367	5,696
Cattle	980	6,466	4,216	3,625	2,839	1,926
Cattle ranches, Intermountain region	2,892	8,665	5,324	4,481	4,626	5,720
Southwest:						
Sheep	[2]	5,224	772	955	3,303	693
Cattle	[2]	5,698	−490	323	3,121	−1,245

[1] Preliminary.
[2] Not available.

FIGURE 1

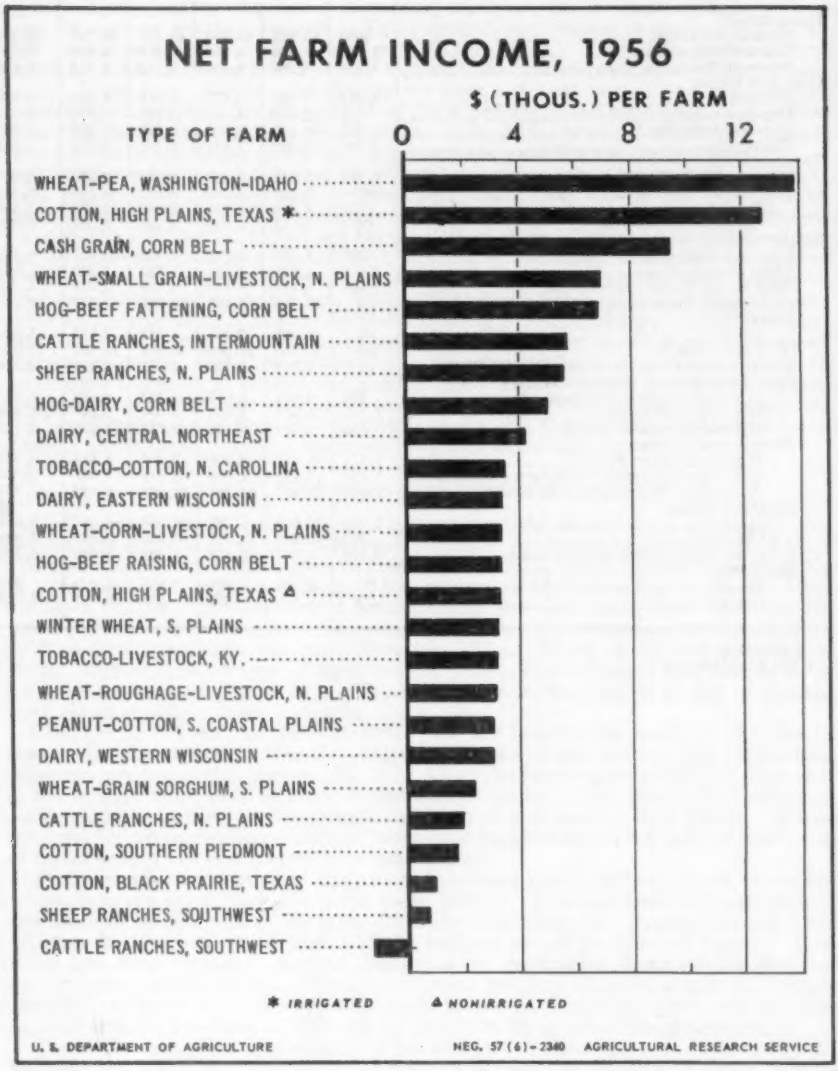
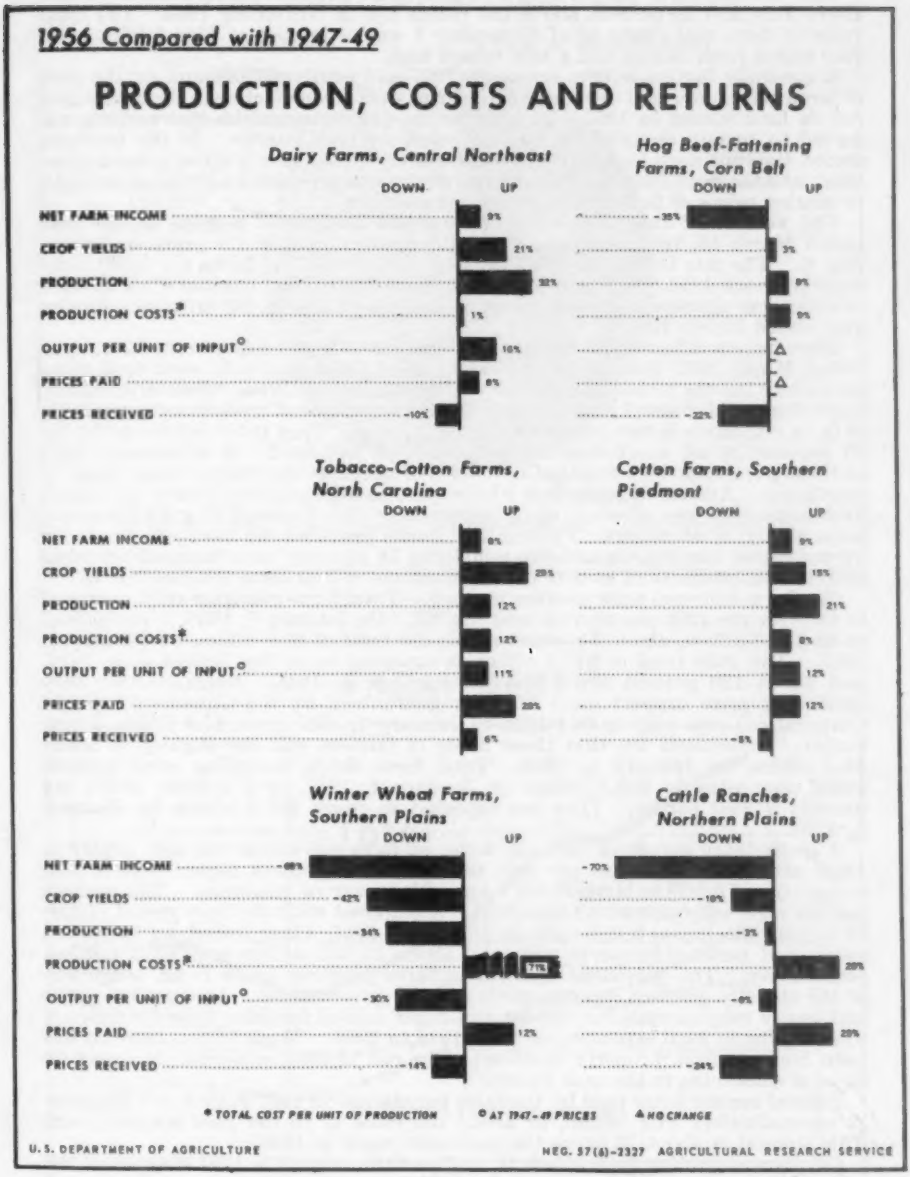

NET FARM INCOME, 1956
$ (THOUS.) PER FARM
TYPE OF FARM
0
4
8
12
WHEAT-PEA, WASHINGTON-IDAHO
COTTON, HIGH PLAINS, TEXAS *
CASH GRAIN, CORN BELT
WHEAT-SMALL GRAIN-LIVESTOCK, N. PLAINS
HOG-BEEF FATTENING, CORN BELT
CATTLE RANCHES, INTERMOUNTAIN
SHEEP RANCHES, N. PLAINS
HOG-DAIRY, CORN BELT
DAIRY, CENTRAL NORTHEAST
TOBACCO-COTTON, N. CAROLINA
DAIRY, EASTERN WISCONSIN
WHEAT-CORN-LIVESTOCK, N. PLAINS
HOG-BEEF RAISING, CORN BELT
COTTON, HIGH PLAINS, TEXAS △
WINTER WHEAT, S. PLAINS
TOBACCO-LIVESTOCK, KY.
WHEAT-ROUGHAGE-LIVESTOCK, N. PLAINS
PEANUT-COTTON, S. COASTAL PLAINS
DAIRY, WESTERN WISCONSIN
WHEAT-GRAIN SORGHUM, S. PLAINS
CATTLE RANCHES, N. PLAINS
COTTON, SOUTHERN PIEDMONT
COTTON, BLACK PRAIRIE, TEXAS
SHEEP RANCHES, SOUTHWEST
CATTLE RANCHES, SOUTHWEST
* IRRIGATED
△ NONIRRIGATED
U. S. DEPARTMENT OF AGRICULTURE
NEG. 57 (6) - 2340 AGRICULTURAL RESEARCH SERVICE

FIGURE 2


1956 Compared with 1947-49
PRODUCTION, COSTS AND RETURNS
Dairy Farms, Central Northeast
DOWN
UP
NET FARM INCOME
CROP YIELDS
PRODUCTION
PRODUCTION COSTS*
OUTPUT PER UNIT OF INPUT°
PRICES PAID
PRICES RECEIVED
9%
21%
32%
1%
10%
8%
-10%
Hog Beef-Fattening Farms, Corn Belt
DOWN
UP
-35%
3%
8%
9%
△
△
-22%
Tobacco-Cotton Farms, North Carolina
DOWN
UP
NET FARM INCOME
CROP YIELDS
PRODUCTION
PRODUCTION COSTS*
OUTPUT PER UNIT OF INPUT°
PRICES PAID
PRICES RECEIVED
0%
29%
12%
12%
11%
20%
6%
Cotton Farms, Southern Piedmont
DOWN
UP
9%
15%
21%
8%
12%
12%
-8%
Winter Wheat Farms, Southern Plains
DOWN
UP
NET FARM INCOME
CROP YIELDS
PRODUCTION
PRODUCTION COSTS*
OUTPUT PER UNIT OF INPUT°
PRICES PAID
PRICES RECEIVED
-68%
-62%
-54%
3%
-30%
12%
-14%
Cattle Ranches, Northern Plains
DOWN
UP
-70%
-10%
-3%
28%
-6%
25%
-24%
* TOTAL COST PER UNIT OF PRODUCTION
° AT 1947-49 PRICES
△ NO CHANGE
U. S. DEPARTMENT OF AGRICULTURE
NEG. 57(6)-2327 AGRICULTURAL RESEARCH SERVICE

64. *Farm real-estate values continued to advance in 1957.*—The average value of farm real estate per acre advanced 8 percent in the year ended November 1, 1957. About half of the States showed gains of from 5 to 7 percent and 9 States had increases of 10 percent or more. Most of these were in the area extending from Georgia and Florida westward to Texas, and in the Northeast (fig. 3).

The national index for November 1, 1957, was 154 (1947–49=100), 2 percent above July and 20 percent above the recent low in November 1954. The total value of farm real estate as of November 1 was estimated at $114.5 billion, up $5.0 billion from March and a new record high.

A generally favorable crop season in 1957 and continued demand on the part of farmers for more land to enlarge their farms were strong factors in the continuing rise in land values in 1957. In some areas, the conservation reserve program served to sustain demand for land of below average quality. In the nonfarm sector, the continued high level of business activity, the slowly rising general price level, and the need for space for an expanding economy added additional strength to market prices of farmland in many communities.

The volume of voluntary sales of farmland declined 3 percent in the year ended March 15, 1957, reversing the slight upward trend of the previous 2 years (fig. 4). The rate for the latest 12 months' period was 31.4 farms per 1,000, only slightly above 1954 which was the lowest since 1940. The number of farm foreclosures was estimated at 9,000, down slightly from the 10,400 estimated for the year ended March 1956.

More buyers of farmland used credit to finance their purchases in the 12 months ended March 1957 than in the previous year. Sales contracts were used more frequently but the proportion financed by mortgages was lower. Sellers, primarily individuals, of farmland were the most important source of credit for the purchase of farm real estate in the year ended March 1, 1956. They provided the credit for 37 percent of all credit-financed purchases of farmland. A substantial part of these purchases were financed by means of purchase contracts, rather than by mortgages. Among those lenders who require mortgages, local banks and insurance companies were of nearly equal importance; they financed 19 and 18 percent, respectively, of all buyers. Federal land banks provided the mortgage funds for 10 percent of the buyers and the remaining 16 percent were financed by other individuals, unclassified lenders or combinations of 2 or more lenders (fig. 5).

65. *Farm debts and taxes continue to climb.*—Total farm-mortgage debt increased in 1957 for the 12th consecutive year (fig. 6). On January 1, 1958, it is expected to be $10.6 billion, about 7 percent above the total of $9.9 billion on January 1, 1957. The 1958 total of $10.6 billion is expected to be the highest since 1924, and about 120 percent above the postwar low in 1946. Nonreal-estate debt (excluding price support loans made or guaranteed by the Commodity Credit Corporation) rose only to $8 billion on January 1, 1957, from $7.9 billion a year earlier. Indications are that these debts of farmers will rise slightly to about $8.1 billion on January 1, 1958. Total farm debts, including price support loans, amounted to $19.5 billion on January 1, 1957, or 3 percent above the amount a year earlier. They are expected to reach $19.9 billion by January 1, 1958.

A preliminary survey of 1957 tax levies on farm real estate, payable largely in 1958, shows average taxes per acre to be about 6 percent higher than a year earlier (fig. 7). This is the 15th consecutive year of increases. The average tax per acre will reach an all-time high. Compared with the base period (1909–13=100), the index will be about 465. For 1957, taxes levied on farm real estate and personal property will total about $1,032 million and $233 million, respectively. The persistent uptrend in farm property levies is an outgrowth of the steadily growing revenue needs of local governments. Increased payrolls and heavy requirements for schools and other capital facilities have contributed to a tripling in local expenditures from 1946 to 1956. Much of this increase has been financed from property taxation. The rise in local expenditures shows no signs of slackening in the near future.

Federal income taxes paid by the farm population on 1957 income will continue at approximately $1.1 billion, or about the same as in the past several years. This amount is about 75 times the payments made in 1940.

66. *Record-equaling farm output in 1957.*—Farm output in 1957 may equal the record 1956 outturn of farm products. This achievement is due to large outturn of both livestock and crops. Total livestock production in 1957 promises to be the second largest of record, 21 percent above the average 1947–49 production. Dairy products are the only livestock group to attain a new record production in 1957. Both poultry products and meat animals in 1957 may be at near record levels. There was a slight decline in the number of animal breeding

FIGURE 5

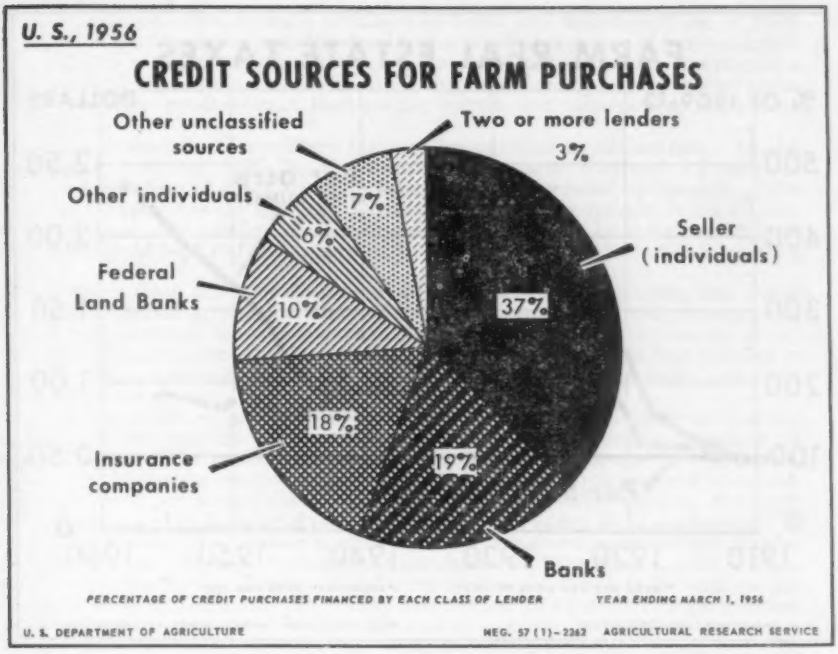


FIGURE 6

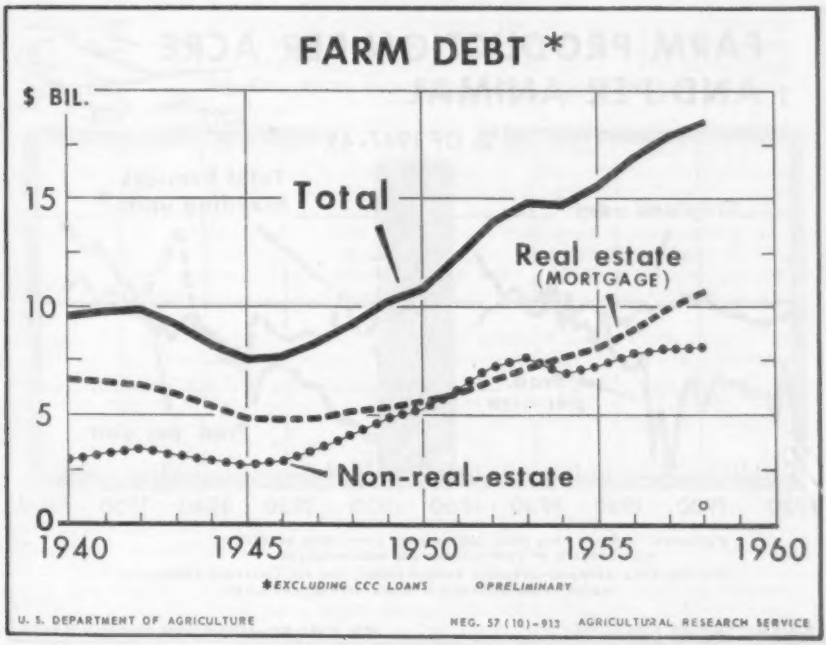


FIGURE 7

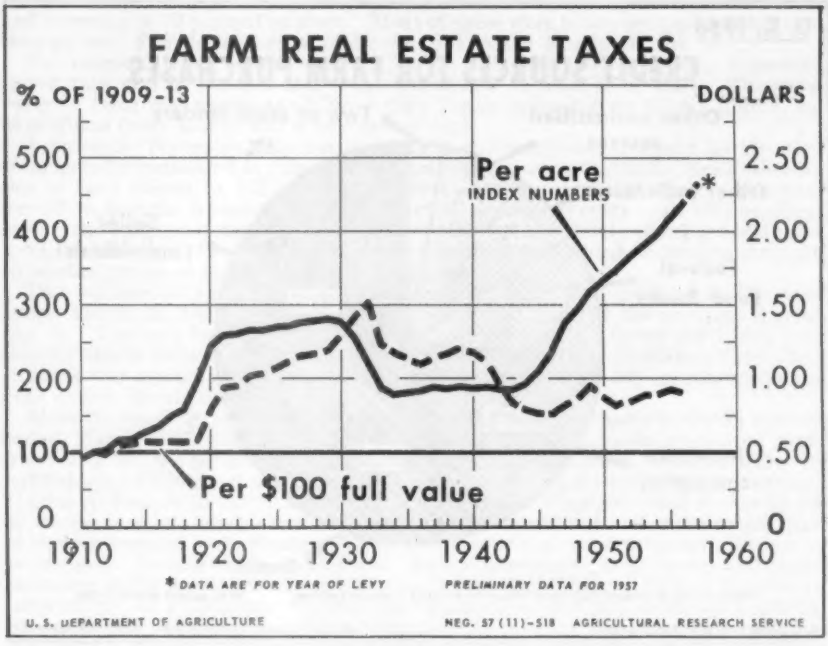
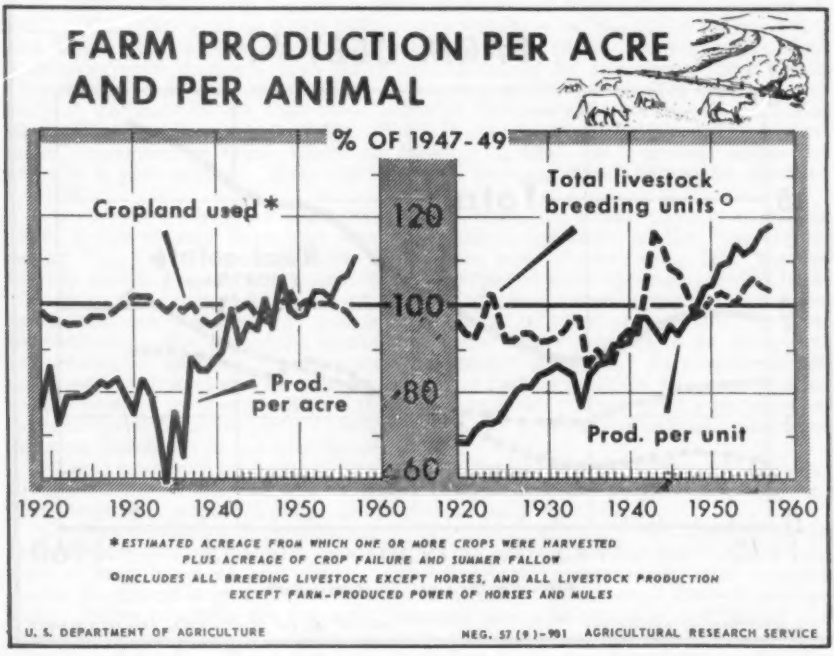


FIGURE 8



units in 1957, but the 1956 record livestock production per animal breeding unit was maintained (fig. 8).

Total crop production in 1957 promises to equal the record outturn of 1948 and 1956. This was made possible despite the smallest number of acres planted in 40 years, by a record crop production per acre—4 percent above the previous record set in 1956. Production of livestock feed crops attained new record highs in 1957, while the production of food grains, cotton, and tobacco was the lowest in 10 years.

67. *Farm tenancy declines.*—Farm tenancy has reached an alltime low. In the two decades, between 1935–54, the number of tenants declined 1.7 million. Less than 1.2 million of the 4.8 million farms are now operated by tenants. The number of tenants of every type has declined, but especially notable is the 63 percent reduction in the number of sharecroppers since 1935. In the same 20-year period, acreage of land in farms operated by tenants dropped from 336.8 to 190.4 million.

About 400 million acres, or 35 percent of the total farmland acres, was under some form of rental arrangement in 1954. More than half of this acreage was operated by operators who owned part of their farm. This part-owner group is the only class of tenure that has increased steadily since it was first defined in 1900. By 1954, operators who both own and rent were farming more land than any other tenure group.

68. *Fatal accidents on farms.*—Analysis of Vital Statistics for 1949–53 indicate that the fatal accident rate on farms was highest in the age groups including 55 years and over. Nearly a third of the reported deaths were caused by machinery, with notably high rates for boys aged 10 to 19 and for children under 5 years old.

69. *Investment per worker and liquid assets of farmers.*—The amount of investment actually used in farm production is estimated at about $132.3 billion, or 75 percent of the value of all assets in agriculture. This averages about $16,800 for each farm worker. In 1940 such assets were valued at $3,400 per worker. Data from the manufacturing industry is not strictly comparable, but indications are that the investment per industrial worker is somewhat smaller than for agriculture.

Bank deposits, currency, and United States savings bonds owned by farmers—held for both business and personal use—total about $15.2 billion. These financial assets have been increasing about $0.2 billion per year for the past several years, mainly from small increases in savings deposits and United States savings bonds.

70. *Projections made of size of farm production job in 1975.*—Further growth in population in the United States and rising consumer incomes will mean increasing needs for farm products. A study completed during the last year sets forth some of the dimensions of the size of the farm production job for 1975. The projections were made under specific assumptions regarding growth in our economy and the upward trend in our population.

Requirements for farm products for 1975 could demand volume of farm output about a third greater than in 1951–53. This would represent a sizable job when compared with historical changes in farm production. Average yearly increases needed in farm output between 1951–53 and 1975 would be greater than in any of the historical periods shown in the chart, except for the period of World War II.

The transfer of cropland and other production resources from feeding and maintenance of farm horses and mules to production for market has been an important source of increase in farm output in the past. Mechanization has now advanced so far that this will be a nominal source of increase in output in the future.

Although the size of the production job ahead appears large when judged by past performance, there are indications that technological developments encouraging more intensive agriculture will provide the means for meeting future production needs. The volume of farm output actually attained in 1956 matched the total projected as needed 4 or 5 years hence. The need for increasing output will come chiefly in the longer term period ahead.

71. *Investment costs for irrigation in humid areas vary widely.*—A survey covering 95 percent of the acreage irrigated in the 28 Eastern States shows that the average cost of irrigation systems varied according to method of irrigation as follows: Portable sprinklers, $166 per acre; fixed overhead pipe, $577 per acre; portable gated pipe, $80 per acre; ditch, $62 per acre; flooding, $38 per acre. Farmers who installed systems to irrigate small acreages had wide, extremely high investments on a per acre basis. The average per acre investment costs ranged as follows: Under 10 acres irrigated per farm, $500 per acre; for 10 to 19 acres, $300 per acre; for 50 to 99 acres, $125 per acre; for 100 to 199 acres, $96 per acre; and for farms

with 1,000 or more acres under irrigation, $54 per acre. Forty percent of the eastern irrigation farmers obtain their water supplies from flowing streams or rivers, about 20 percent from wells, another 20 percent from stored springs and surface runoff, and the rest from a combination of various sources including city waterworks.

72. *Production and incomes on part-time farms can be increased.*—The rapid industrial expansion in rural areas of the Piedmont, and other areas of the South, affords increased nonfarm employment opportunities for farm people. The prevailing pattern in many areas is for the farm family to remain on the farm while one or more of its members work at nonfarm jobs. Although farming in conjunction with nonfarm work usually is profitable, farm production often is inefficient and the contribution of the farm to family income is much below its potential. The usual part-time farm in the Piedmont area of North Carolina contains about 25 acres of crop and pastureland and has about 2.4 workers per farm. It produces a net farm income of less than $1,000. Operator and family labor employed at nonfarm work earns an additional $2,000 to $2,500. With additional capital and with full use of operator and family labor on nonfarm and farm work, net family incomes for many families could be increased to nearly $10,000—about $6,000 from nonfarm work and about $4,000 from the farm.

73. *Financing the production of broilers in Delaware.*—Only 6 percent of the broilers grown in lower Delaware in 1955 were grown by independent growers. About two-thirds were produced under contract with feed dealers, and the rest by dealers and other firms on their own account.

During 1955, the average outstanding investment in chicks on feed in lower Delaware was about $5.5 million. Nearly 85 percent of this investment was made by the contracting dealers, as they provided the chicks, feed, and other supplies needed by contract growers as well as for their own production. About 20 to 25 percent of the total investment in chicks on feed was financed through credit extended by feed manufacturers, about 20 to 25 percent was financed through cash loans obtained by dealers and independent growers, and the remaining 50 to 60 percent of the investment was supplied by the dealers and the independent growers from their own funds.

The majority of growers apparently prefer to grow broilers under contract because this type of arrangement limits the risks they must assume.

74. *Labor and capital requirements for dairying can be reduced.*—A study completed this year in Illinois shows how simplified dairy buildings of the loose housing type, together with well-designed equipment and improved management practices, can reduce by almost 50 percent the capital requirements needed for herds of 20 to 30 cows. Time spent on dairy chore labor on farms planned around a loose housing system was about half that usually spent on farms using stall barns with customary practices. Through effective sanitation and cooling, the quality of milk production was maintained.

AGRICULTURAL ENGINEERING RESEARCH

75. *Draft for subsurface tillage equipment reduced.*—Basic studies at the National Tillage Machinery Research Laboratory at Auburn, Ala., indicate that the proper design of the mounting for subsurface tillage devices materially reduces draft without reducing effectiveness. These findings, first observed in small-scale model studies, have been confirmed by full-scale field experiments. Under many conditions power requirements are reduced 10 percent or more and may be decreased 25 percent in some situations.

76. *Electric energy saved by use of heat-pump in milk-room.*—Research on the use of a heat-pump to transfer heat extracted from milk during the cooling process to preheat water for washing dairy utensils indicated a saving of 4,000 kilowatt-hours annually. A 400-gallon direct expansion bulk-milk tank and a 50-gallon preheat water tank with a temperature range of 55° to 120° F. were used in this study in cooperation with the Washington Agricultural Experiment Station.

77. *Antistatic solutions sprayed on seed cotton prevent formation of static electricity during ginning.*—Static electricity on seed cotton frequently interferes seriously with ginning operations. Results of experiments conducted over a period of several years at the Cotton Ginning Research Laboratory, Mesilla Park, N. Mex., show that antistatic chemicals have great possibilities for use in controlling static electricity during ginning. Some suitable chemicals are relatively inexpensive, easy to apply and do not damage the fiber. The most promising of these materials will be tested at commercial gins during the 1957–58 ginning season.

78. *Improved spray equipment helps combat aphids on potatoes.*—In the Klamath Falls seed-potato growing area of Oregon and California, where growers have had

increasing difficulty in controlling aphids on potatoes with parathion, improved spray equipment was tested. It proved so effective that growers are having such equipment made for their own use. This sprayer, developed and tested jointly by agricultural engineers and entomologists, utilizes an air blast to apply the insecticide from below the plant foliage for better penetration and circulation. Extensive tests with this sprayer including further improvements, will be conducted in the Columbia Basin of Washington to determine if it can be adapted to provide effective control of resistant aphids on table stock potatoes in that area where cultural practices are different.

79. *New controller developed for radiant heat brooder.*—A new radiant heat controller, designed particularly for use in electric chick brooders heated by infrared lamps or other electric radiant heaters, has been developed in cooperation with the Indiana Agricultural Experiment Station. It provides economical operation of radiant heaters because it is sensitive to radiant heat to which thermostats on existing electric brooding equipment do not respond. The new unit meets more closely the apparent chick requirements than any presently available thermostat. The device consists of a 4-inch black globe with a thermistor sensing element, transistor amplifier, and a sensitive relay to sense and control the internal globe temperature.

80. *Labor reduced in handling honey at apiary.*—In cooperation with the Arizona and Wisconsin agricultural experiment stations automatic controls have been developed which will materially reduce the labor required for extracting honey. These controls, consisting of electric solenoids, switches and timer, reverse the direction of the extractor's rotation at the desired intervals and stop the unit at the end of the cycle. The need for constant attention to manually reverse and stop the extractor is eliminated.

Animal Husbandry Research

Dr. Byerly. Thank you, Mr. Chairman.

We proceed, then, to the work of the Animal Husbandry Research Division.

POULTRY RESEARCH

I would like to begin my discussion by referring to an item not contained in the progress notes. We have been conducting research in poultry breeding for many years in cooperation with most of the States.

We have had as our major objective, the evaluation of methods of breeding; that is the newer hybrid method as compared to selections within the flock and crossbreeding, and other methods of breeding. Hybrid breeding of poultry has led very rapidly to a shift of poultry breeding work in the field, into the hands of a relatively few people; people who have large flocks and who employ professional geneticists. They produce very good stock, and it has been our purpose to evaluate this method of breeding in comparison with traditional methods.

It seems apparent that the hybrid method analogous to that in the corn breeding field where we bring together inbred lines, usually four, to produce a commercial hybrid chicken, is an excellent method and produces excellent chickens. It is by no means the only method to produce superior chickens, and there are simpler methods of crossbreeding selected stocks of closed flock selected chickens, and of combining single cross-hybrid males in top crosses with closed flocks, which are equally effective.

I emphasize this point and bring it to your attention because these simpler methods of poultry breeding are within the means and capacity of smaller poultry breeders.

In your own State of Minnesota, Mr. Anderson, there are still a substantial number of good poultry breeders. In the State of Indiana, whereas 10 years ago there were 15 name breeders, now there is only

1 official breeder. Others have come in, that is, franchised breeders have come in, and taken their places.

This is simply a fact. It seems to me within this field that we have provided information that will help others to initiate new work.

DAIRY HUSBANDRY RESEARCH

To pass then, from that particular field, I would like to call your attention to dairy husbandry research, where for a substantial period of time we have been raising heifers on liberal forage, and comparing their performance through their productive life with those grown on the usually higher grain intake.

The cost of producing dairy heifers is so great, that in some dairy areas substantial numbers of cattle are imported each year rather than raising any replacement stock.

As pointed out and emphasized here, we can raise very good heifers with very little grain, depending chiefly on forage of high quality. We think this is an important contribution to the economy of raising replacement stock for the dairy industry.

RESEARCH ON BETTER CALF CROPS

Another problem that I should like to call your attention to in this area is that of better calf crops, a major problem both with respect to dairy stock and beef stock and a very complicated problem, indeed.

Work during the course of the year, has indicated, for example with our milking shorthorn herds at Beltsville, that those cows which nursed calves conceived later after the birth of the previous calf than those cows which are hand-milked. Now this of itself is perhaps a factor of no great economic importance, but it is a factor that indicates the relationship of the physiology of the cow, her production of milk, and the probability of her subsequent conception.

It is a problem in beef herds where we have a limited breeding season. Very often the breeding season is only 75 to 90 days during the spring. If the cow does not return to heat and accept the bull within that breeding period, the next year she goes without a calf. It has been demonstrated that the time elapsed between the birth of one calf and the time of conception of another does vary among various breeds and kinds of breeding in cattle. So this is one important factor.

ELIMINATION OF RESEARCH ON DUAL-PURPOSE CATTLE

Mr. WHITTEN. Let me interrupt you there. I have had 2 or 3 people come to me saying that the budget recommended that you do away with this Shorthorn herd at Beltsville.

What are the facts in connection with that?

Dr. BYERLY. The fact is that, in keeping with the determination that we are to redirect emphasis toward a greater amount of research on utilization of agricultural products, we have examined all of our farm research budget and have identified those areas in which we feel that minimum damage to agriculture as a whole will be done through reductions. One area so identified has been the work with dual-purpose cattle. The budget does include a reduction of $118,000 which will eliminate completely the work with milking Shorthorns.

Mr. WHITTEN. How long has that project been going on?

Dr. BYERLY. I can't give you the exact year. My recollection is that it is since about 1930.

Mr. ANDERSEN. Doctor, do you have access to any herds of Red Danes for experimental purposes in the United States?

Dr. BYERLY. Only cooperatively.

Mr. ANDERSEN. Only cooperatively?

Dr. BYERLY. Yes.

Mr. ANDERSEN. It seems to me from what knowledge I have on the subject and what I observed in Denmark, that these cattle come nearer to being dual-purpose cattle than anything that I have personally observed. Would you agree with that surmise?

Dr. BYERLY. The Danish cattle in Denmark and the limited numbers present in this country have given splendid accounts of themselves.

As you know, Mr. Andersen, our tendency in this country during the past few years has been to specialize in beef and milk production so that the current interest in dual-purpose cattle is at a minimum.

Now, I would not maintain that that will always be the case.

Mr. ANDERSEN. Let me say I agree with you, that you can't have both. I say that as a former Angus breeder. I think you are wise if you do have to step down your production research to pick this particular field.

When I observed a herd of those particular cattle over near Copenhagen where they showed us about 100 of these cows, they looked like good Angus cows which produce on an average better than 10,000 pounds of milk annually. And to me it seemed that if we do have dual-purpose cattle at any place or in any breed, that the Red Danes come nearest to filling the bill of any. At the same time, I approve of your going out of this picture, as long as you do have to step down or recede a little bit on production research. I think it is a logical spot to do so.

Mr. WHITTEN. I think it is quite apparent that in this country we are fortunate enough to be able to specialize. Dairying apparently has become strictly a specialized industry. Certainly the raising of beef cattle is specialized. Therefore, the need for dual-purpose cattle in this country is far below the need in many other countries, where they are short of beef.

VALUE OF PRODUCTION RESEARCH

On the other hand, I want to say here and now, I have studied the need for this utilization research and have seen this report on industrial use of agricultural products. As hopeful as I am for some relief on the part of the American farmer in those fields, I think the budget request for money and the buildup of public support for greatly expanded utilization research completely overlooks what you are already doing. While such research may be desirable, I am not ready to give up production research.

It is my belief that production research must be continued. If the farmer had faced all the problems he has in prices and costs, and hadn't had the wonderful returns from production research so he could produce more on fewer acres with fine seed, he would be in worse shape than he is now.

Mr. ANDERSON. Mr. Chairman, will you yield to me so that I might ask a question?

Mr. WHITTEN. Yes.

Mr. ANDERSON. If you were in the position of Dr. Byerly and the group across the table from us, wouldn't you, if you were faced with a decision as to what to do under present circumstances, wouldn't you feel, regardless of your feeling that production research should continue, that they have perhaps hit on the best possible field to do a little reducing, if it is necessary?

Mr. WHITTEN. I started off by saying that in this country we have little, if any, need for dual-purpose cattle.

Mr. ANDERSON. You are in agreement with me.

Mr. WHITTEN. Having said that, I went on to say that I think we are going too fast in one direction and perhaps giving up too quickly in another, and that comes from our basic differences with the Department's activity.

REDIRECTION OF SHEEP, GOAT, AND FUR-ANIMAL RESEARCH

Dr. BYERLY. Since I have brought up the matter of redirection of research, I might describe the remainder of the reductions within animal husbandry and those in animal disease and parasite research. These constitute a reduction of $89,000 and are related to research with sheep, goats, and fur animals.

ELIMINATION OF RESEARCH ON MILK-GOAT NUTRITION

Mr. WHITTEN. Let's discuss this goat-nutrition research. Does that have to do with milk goats or goats generally?

Dr. BYERLY. That is milk goats, sir.

Mr. WHITTEN. I have had no personal experience, but I have been familiar with the fact that many doctors have recommended and placed many, many children on goat milk, where they have an allergy to cow's milk or for various other reasons. Do you have any idea of the number of such cases?

Dr. BYERLY. I do not know the number. I would say that it is general knowledge that many people, many babies are allergic to cow's milk and this, for the obvious reason that more of them drink cow's milk than anything else. I believe it is also correct that some babies who are allergic to cow's milk are not allergic to goat milk, and this substitution is frequently made.

Goat milk is very often used in the diets of invalids. It has the advantage of very small curd and of the naturally homogenized fat within the milk. These two advantages are there.

Mr. WHITTEN. Where has this work been going on?

Dr. BYERLY. This work is done at Beltsville.

Mr. WHITTEN. How long has that been in existence?

Dr. BYERLY. This work was started about 30 years ago.

Mr. WHITTEN. I don't know whether or not the committee will go along with the budget in trying to eliminate it. But whatever we do, we are going to need all the information we can get. So I hope that you will cover in greater detail each of the reductions that are requested here. The arguments must be made on the full knowledge of the facts.

Dr. BYERLY. May I let you be the judge as to the detail? I will supply all the information you request.

Mr. WHITTEN. I would like to know how long it has been in existence, what demand there is for it, the number of people in the milk-goat business, the size of the industry, and things of that sort. You may not have it at your fingertips, so you can supply it for the record.

Dr. BYERLY. Good.

(Information requested appears on p. 524.)

Mr. WHITTEN. Now we turn to another one for fur-breeding animals.

REDUCTION OF FUR-ANIMAL HUSBANDRY RESEARCH

Dr. BYERLY. This is at two separate locations. One is the United States Rabbit Experiment Station at Fontana, Calif. This is our only rabbit-experiment station. Now in saying that I want to be fully truthful because rabbits, as research and laboratory animals, are used in many laboratories other than our own laboratories, but a rabbit as a meat- and fur-producing animal, is used in only this one laboratory in Fontana, Calif.

As to the general extent of the rabbit business, about a third of it is in Los Angeles County and the rest scattered throughout the United States. There are areas of concentration in Arkansas, Texas, and many other States.

Mr. WHITTEN. Do I understand this was in reference to developing a type of fur that is especially usable?

Dr. BYERLY. Rabbit fur is very secondary. This fur is a byproduct and usually since rabbits are killed at a young age, most of the furs go to the felting trade rather than as fur, it is meat production primarily.

As far as the rabbit is concerned, "fur animal" is primarily a descriptive term. Now the term "fur animal" is descriptive with respect to the elimination of our cooperative work with the Alaska Experiment Station at Petersburg. That reduction involves $19,048. In this cooperative venture the Alaska Experiment Station owns the facilities itself, and we provide professional employees at that point.

Alaska is a major supplier of furs, but largely trapped furs rather than farmed furs. The number of fur farms in Alaska is small. The potential is felt by many Alaskan people to be substantial with respect to fur farming.

Mr. WHITTEN. I would like to repeat again my reason in discussing each of these items. Each of these reductions needs to be described very completely because of the fact that, as much as we believe in utilization research and industrial research, it has been built up in the public mind to such a degree that perhaps the budget is moving much faster than you can properly use the funds added there. Certainly, we must compare the value of the things you are doing against some of the new work for which firm plans perhaps haven't developed and for which technical personnel might not be available.

You might proceed.

Dr. BYERLY. Thank you. That completes the items of reduction as far as animal husbandry is concerned.

The next reduction that we will discuss is in animal disease and parasite research. The only reduction there is for the rabbit disease work at Fontana, Calif., and fur-animal disease work at Petersburg, Alaska. I believe my discussion of that work and of that industry generally under Animal Husbandry will suffice for that reduction item.

PROGRESS IN ANIMAL DISEASE AND PARASITE RESEARCH

With respect to the progress items in animal disease and parasite research, I think you may be interested in a little elaboration on item 15 entitled "Satisfactory complement-fixation diagnostic antigen for anaplasmosis prepared in quantity from infected cattle blood."

We have cooperative work with anaplasmosis with several State experiment stations from the research standpoint and with the field control forces—not only our own forces under Dr. Clarkson's supervision, but those of the States. The disease is widespread and when it occurs in a herd causes some mortality. It is spread by vectors which include ticks and other biting insects and perhaps even including lice. Experiments have shown that lice can harbor anaplasmosis. Our experimental work is most extensive in Hawaii and consists of cooperation with ranchers. We test and eliminate, if the owner chooses to follow that course, or we test and segregate the infected animals if the owner chooses to follow that course. We may also test and retain the animals following the herd history, if the owner chooses to follow that course.

It is the opinion of our research workers that it will not be finally possible to eliminate anaplasmosis from any area until research on anaplasmosis has disclosed all the vectors in the area.

There is another item that I would like to call your attention to.

INVESTIGATIONS OF AFRICAN SWINE FEVER

One item that I believe is not included in the progress notes which I would like to refer briefly to is our work with African swine fever. I know Dr. Simms has discussed African swine fever with this group on several occasions. It looks like hog cholera. It is much more often fatal than hog cholera. Hog cholera vaccines do not immunize against African swine fever. We don't have it in the United States, but they do have it in Africa. We maintain research in one of the British colonies, in Maguga, Kenya. We have worked for several years on this disease. Here again, while it may be 95 percent fatal, like anaplasmosis a few animals do acquire the disease and apparently are carriers all their lives.

I call attention to that only to say that we are working with exotic diseases in other countries and that we still have problems in this area.

SCRAPIE OF SHEEP

Another disease that we are working on abroad is scrapie of sheep. This disease entered the United States about 1947.

It has been a continuing problem from the standpoint of control of the disease. The mode of transmission is not well known. It is a disease of long incubation, affecting the central nervous system. We have employed a man and dispatched him to England to work at the laboratory at Compton with Dr. Gordon, one of the foremost research specialists in this field so that in response to the urgent request of our sheep breeders, we will hope to contribute what we can to the research information on scrapie.

RESEARCH ON LUNGWORMS IN CALVES

I was very pleased yesterday at the fine response of this committee to strengthened basic research. Under item 18 of the progress notes there is an example in the immunization of calves to infection with lungworm. It is an example of the kind of basic research that we need to do in this area of host-parasite relationships.

We have been thinking for many years in terms of immunizing animals against bacteria and against viruses and, more recently, against some of the protozoan parasites, but here is an example of immunizing animals against a worm parasite and, to me, this is an important advance.

What it may mean finally in economic terms, I do not know, but in our understanding of the protective mechanisms of the animal toward parasites, it seems to me is an important advance.

STUDIES ON ATROPHIC RHINITIS

Mr. ANDERSEN. What progress is being made in atrophic rhinitis control or eradication, also research?

Dr. BYERLY. We continue to do research, rather substantial research at Beltsville on atrophic rhinitis. It is a puzzling sort of disease. We have found, for example, that apparently infected rats eaten by the pigs may serve as a means for spread of the disease. I do not think we have yet come to the time when we can say we have demonstrated that there is a particular virus involved, though we suspect that a specific virus may be involved.

We have done research on one of the protozoan parasites often associated with this disease, but still lack definitive demonstration that it is an essential factor in the disease itself. It is my impression that the disease is not as serious in general as it was a few years ago, but I might ask your opinion, Dr. Clarkson, since you are much better acquainted with the field information than I.

Dr. CLARKSON. It has been my impression as it strikes a new area, it tends to cause more damage than it does in an area where it has been in existence for some time. Whether that is because there is some immunity developed after the disease we do not know. We really don't have the information we need to give growers regarding this disease.

Dr. BYERLY. I might point out, Mr. Andersen, that as stated in item 23, the old-fashioned practice of using clean ground is one of the few defenses that we have demonstrated will work. Item 23 states:

> Transmission studies of atrophic rhinitis have shown that during the summer months, infection does not remain in lots contaminated with this disease. Susceptible pigs 2 to 6 months of age, placed on contaminated pasture lots 28 days after infected swine had been removed, failed to develop the disease within 113 days.

This problem and several others have come up as our swine herds have grown larger and as labor requirements have necessitated our rearing these swine on an intensive, rather than an extensive basis.

Mr. ANDERSEN. According to that, shouldn't it be pretty easy to stamp it out once and for all?

Dr. BYERLY. When a man puts in a sanitary program and follows it through, he ought to be able to do it with this disease. We have

demonstrated in our research that it is possible to establish a clean herd by taking the pigs immediately from the sow at birth and either raising them on artificial pablum or a clean foster mother.

At Nebraska they have made herd replacement experiments by Caesarean delivery of pigs. This was started in Minnesota at the Hormel Institute using the Caesarean delivery of pigs for establishing disease-free herds.

Once established, this disease-free herd, is by no means assured of continuing as a disease-free herd. Farmers have no complete means for sanitation and they are not always as careful as they should be.

I agree with you, in principle, it should be easier to stamp out, given sufficient, rigorous sanitation, but in fact it will continue to plague us.

FUMIGATION OF LAND

Mr. HORAN. It is pretty well established that some of our diseases are in the ground itself; the pastureland becomes contaminated.

Have you run any experiments in fumigating or sterilization of pastures?

Dr. BYERLY. There have been some experiments. When you fumigate land extensively, it gets to be a very expensive operation. There has been some fumigating of land for poultry flocks. From the standpoint of practicality, as far as I know, these have not reached the stage of practicable application. The only thing we have come up with is rotation in land use, and resting the soil.

Mr. HORAN. What Mr. Andersen was asking intrigues me.

Where the ground is contaminated with blackleg virus or something I was wondering if there was any way by creating a walkway or path that you might beat that, and if any experiments in that direction have been carried out.

Dr. BYERLY. The classic example of contamination, I suppose, and again I will ask Dr. Clarkson to extend my remarks, is anthrax.

Dr. CLARKSON. I don't want to discourage Mr. Horan, but the blackleg organism will live in that land for some time.

Mr. ANDERSEN. It certainly will—a good many years.

Mr. HORAN. The cattlemen out there are aware of that. It seems to be a somewhat recent development, too.

Dr. BYERLY. There is a question whether this is a question of survival or whether these organisms may not multiply and increase and thrive in the soil itself.

I might point out that in the Animal Disease and Parasite Division we have made substantial shifts of funds to undertake research on toxicology of insecticides.

Mr. WHITTEN. Are there any other increases that you would like to offer at this time or would you rather wait until you get to the particular item?

CROPS RESEARCH

Dr. BYERLY. If I may, I will take them division by division. Next is the Crops Research Division and perhaps you would prefer that I discuss first the proposed redirection of work. The first of these is an item on sweet sorghum, $55,000 which would involve closing the sugar sorghum station at Meridian, Miss., and discontinuing research on this crop at Brawley, Calif., Cairo, Ga., Houma, La., and Beltsville, Md.

This would mean elimination of the work on sugar sorghum.

Mr. WHITTEN. As has been pointed out, these reductions result from the directive to make curtailments in production research in order to fit within the overall amount allowed your Division. Does it represent an initial recommendation by you, or is it one made after the ceiling was imposed?

Dr. BYERLY. I was instructed to examine the production-research program and to identify those areas in which least harm would be done to agriculture as a whole by postponement, or reduction, of research in that area.

The selection of these items does not mean that the research is done on any of them, nor that we feel that they are unimportant, but, only in a relative scale, that it was our opinion that postponement or reduction of research in the items selected would be as little harmful as reduction in any other place that we could identify.

ELIMINATION OF SUGAR-SORGHUM RESEARCH

Mr. WHITTEN. I am glad to have that information in the record. Now, proceeding to this sugar-sorghum work. What has been the record of that activity through the years? If you don't have it at your fingertips, we would like to have for the record just what this work consists of, and what the effect of it is.

Dr. BYERLY. This will eliminate the work and, so far as we can presently determine, it would bring about a reduction in force. Now, the number of persons who would be affected by reduction in force would be determined only after the fact, because we would, of course, make every attempt to transfer them to other locations and to other work.

Mr. WHITTEN. My thought was not as to the effect on the overall personnel, but I had reference to the personnel at that particular establishment. Would it eliminate the personnel?

Dr. BYERLY. All the personnel on this project at Meridian, Miss., would be dropped or transferred to other research projects. At some of the other locations named, there are other projects.

Mr. WHITTEN. I am told by the State director of extension in my State, and by numerous other people, that this station has played a great part in the development of grain sorghums and various other sorghums which have been of considerable interest and value to the folks in the southeastern region.

Now, is it true that in this field their work has to do with meeting the problems of a region, or what are the facts in connection with that?

Dr. BYERLY. It is true that we have done substantial research, especially in breeding, and have produced a very productive variety with about 15-percent improvement in sugar content. It is true that sugar sorghum is of interest to farmers, probably to more farmers as a forage crop than it is as a sugar crop.

Mr. WHITTEN. The sugar, however, is a considerable part of its value as a forage crop?

Dr. BYERLY. The sugar is, of course, used by the animals that eat it. Yes. It is of value.

Mr. ANDERSEN. A question at that point, Mr. Chairman. Would you just as soon that we break in on the subject?

Mr. WHITTEN. Yes. I explained to the committee yesterday that, where we are dealing with this, item by item, those interested in the

item should interject a question at that point. It is better than to have to start over.

PRESERVATION OF SEED STOCK

Mr. ANDERSEN. Doctor, in relation to these breeding experiments on sugar sorghum, what becomes of the product which, perhaps, as an experimental product has taken years to obtain? Do you just throw it away? Do you lose the value of that progress, or just what can you do with that so as not to have a direct cessation in the work?

Dr. BYERLY. There are several courses of action open to us. The first move we would take would be to offer the material developed, insofar as it is foundation seed stock, to the State with whom we are cooperating. We have a limited capacity to maintain stocks or lines, genetic lines of stock, in the new seed laboratory which we hope will be completed sometime within this calendar year at Fort Collins, Colo. This is simply a storage bank. We have cooperation and make such stocks available to commercial seed breeders. We do our best, so long as the stocks are of value or interest to others, to make them available to them. That may, in some cases, mean that there will be no takers.

PRESERVATION OF EXPERIMENTAL CATTLE

Mr. ANDERSEN. I would hate to see, Doctor, the benefits of a good many years of research thrown away simply because we must temporarily cut down our research. To me, it would be a waste, perhaps, rather than a saving in the long run. I don't know enough about this particular crop involved. I am just speaking generally of any of these reductions. In fact, I even go back to these dairy shorthorns—milking shorthorns. I presume there are some lines of breeding there you have been developing for a good many years.

Dr. BYERLY. That is true.

Mr. ANDERSEN. Now, when you go out of business there, as far as that experiment is concerned, what happens to the calves which you will have worked on for years on that particular strain?

Dr. BYERLY. These cattle would be made available as breeding stock, and those sold as breeding stock for which there is a demand would be offered either by private treaty or at public auctions and, finally, any residue would be sold for meat.

Mr. ANDERSEN. Isn't there some State experiment station that might be interested enough to continue that particular experiment?

Dr. BYERLY. The State experiment stations with interest in dual-purpose cattle from the standpoint of research now, I believe have been reduced to one, to wit, Indiana, which carries on a limited amount of work.

Dr. SHAW. Mr. Andersen, could I make an additional comment as to what would be discontinued or curtailed?

We did have to face the proposition with dual-purpose cattle, or this one with sugar sorghum, whether we could curtail and keep part of it; or whether it would be necessary to cut the whole thing out.

In these instances where we are saying that it will be necessary to cut them out, we feel that the program is now at such a limited level that further reduction would make it completely ineffective and it would be more appropriate to cut it out than to try to carry it on a

starvation diet. That is why, in some cases, we have recommended complete elimination.

Mr. WHITTEN. May I say again in connection with each of these items that you abolish, I would like the full story. That would include, as Mr. Andersen suggests, the number and distribution of people interested in the results, the size of the crop and the size of the operation.

I would like also in the record a listing of the results obtained by that station in the past, so that we might see what the value is.

Mr. HORAN. And Mr. Chairman, would you add to that request whether or not you feel that you have learned about all that the research was begun for in the first place? I know that the knowledge is never finished, but there comes a time when additional activity may or may not produce sufficient new knowledge.

Mr. WHITTEN. We will be pleased to have that.

Now, you might proceed to other items of a similar nature.

Dr. BYERLY. We will be pleased to supply the information requested for the record.

(Information requested appears on pp. 524–530.)

REDUCTION IN TUNG-NUT RESEARCH

The next item is on tung nuts.

The research on tung-nut production and disease problems would be reduced by a sum of $116,000. Work in Florida and Georgia would be discontinued, and the work at Bogalusa, La., and on the Mississippi tung-nut farm near Bogalusa would be substantially reduced.

In this item we would retain, I believe, 1 production man at Bogalusa and 1 engineering project on the harvesting of tung at that point.

Mr. WHITTEN. I talked at the lunch hour with Congressman Colmer of Mississippi about this. It is not in my section, and I have no personal knowledge, except through those whom I know.

I have before me a letter from Mr. Roman Becke, executive secretary of the American Tung Oil Association in which he points out the problems which those in the tung-nut business have.

My recollection is that this project was started back in the war years when we were seriously short of oil.

The Government invited these people to invest a tremendous amount of money in tung-nut production. That was in the years when we were trying to find substitutes. It was offered to the people in the area as a chance to show their patriotism. It was held out that the Government would cooperate with price supports and things of that nature.

In my judgment at least, it leaves us with a little bit of a problem as to whether we can get people to invest their money in an oil of this sort, get price supports on it, and then suddenly quit.

RESEARCH ON SAFFLOWER

I also had my attention called to the fact that in this same budget you are requesting considerable money for safflower which, according to the information supplied to me, apparently would be grown for the production of oil. Therefore, the oil produced from that plant

would be a competitor of tung oil and of cottonseed oil and various other oils.

Now, I would like to have in connection with this statement, a full story on where you may have recommended in this budget moneys for other things that are to a degree competitive with those being curtailed. For example, I turn to the justifications and notice an item for research on soybeans, safflower, flaxseeds and oilseeds, an increase of $1,100,000.

Now, when we match the story of the tung nut producer in business at the insistence of his Government against the increases that you request to put somebody else in business, it raises a question. I may say further that my attention is called to one of two particular companies that sponsored this increase for something that they had a primary interest in.

Dr. BYERLY. Mr. Chairman, mindful of your request for facts which will be supplied for the record, there are some points which I believe may profitably be discussed here as a guide to us, and you may wish to ask my colleague, Dr. Irving, to discuss at this time some of the chemical properties of tung oil and safflower and other seed oils to which you have referred.

First of all, in establishing priorities for research funds within any fixed boundary, whether it is more money or less money, we have to consider the value of a crop and the number of people affected and the possible future of that crop.

As I recall, and we will supply the exact amount for the record, this past year there were some 34 million pounds of tung oil produced with a value of approximately 20 cents per pound, a total value of $6,800,000.

This is a very small crop, and if you consider research funds available in proportion to the economic return for the crop, this one is getting far more than its proportionate share.

Now, that is one line of reasoning with respect to the applicability of research funds. From the standpoint of the future crop, I am advised that the area probably suitable to its production is pretty well taken up now.

PROBLEMS IN TUNG NUT PRODUCTION

There are problems that we have not solved and other problems which we have done fruitful research on. In this particular area, cold hardiness is one that we have worked with.

Now, tree breeding is slow. This includes tung trees in which basic research is going to have to give us answers that will speed up the turn of the generations before we can hope within the next few years to accomplish cold hardiness in these trees. These are some of the considerations that must come into account from the production standpoint.

I would defer to Dr. Irving for a discussion of the kind of oils, except to say this—that safflower, in my opinion, has a fair chance of becoming a rather unique food oil and you may wish to hear in this connection from Dr. Stiebeling since you have made the comparison.

Mr. WHITTEN. I would like to have that. I would also, if you can find it, like to know if you could show the request of the Government to expand this. Your own justification back through the years

may show it, because I am definitely of the opinion that the Government was pressing to have this production.

Dr. BYERLY. We will search the record.

(Information requested appears on pp. 527–528.)

COMPETITION IN AGRICULTURAL PRODUCTS

Mr. WHITTEN. One thing that I took on myself in reading this report of the President's Commission on Industrial Uses was to see, where you find a new crop, if it is going to replace another agricultural crop. What is the attitude of those that are going to be replaced? We have lots of trouble in this country, but all of them I read about are not in absence of edible oils. In fact, all I have heard is in the other direction.

Now the President, the Bureau of the Budget, and the Department have said that our trouble is too much production. May I say right here that, with the costs the farmer has, with the prices that he is obtaining, production research is his only hope.

New crops are fine if they supply something that the American people need and don't now get. I don't know that it is sound in the least if they are going to create further difficulty for those crops which you already have and which supply a need.

Dr. BYERLY. The reason I suggested you might like to hear from Dr. Stiebeling and Dr. Irving are these. Their judgment is much more competent than mine in the food field, but it is a fact that research on the use of fats in human nutrition has indicated a requirement for certain unsaturated fatty acids of which safflower oil is one of the best sources, and it seems to me reasonable and probable that safflower oil may be a means of sustaining, if not of increasing, the use of animal and vegetable fats in general.

Now, this is my reason for being very hopeful of safflower as a new crop.

I defer to Dr. Stiebeling with respect to this.

Dr. STIEBELING. I think what you have said is correct.

Mr. MARSHALL. Are you doing any work on sesame?

Dr. BYERLY. Yes; we are.

Mr. WHITTEN. I am not saying don't do it, but I want to know the full story before I am a party to doing it.

Now Dr. Irving had some testimony on this, I understand.

UTILIZATION RESEARCH ON NEW CROPS

Dr. IRVING. We agree completely, Mr. Chairman, with your criteria on what would constitute a new crop. We apply those criteria in our thinking on new crops and we would add only one, that is, as the market for industrial chemicals is expanding—and it is expanding—we should in agriculture make every attempt to put agricultural materials into those markets.

Now some of the crops that we grow now are not well suited to some of the products we foresee. We feel that we can, by introducing new crops, supply suitable raw materials which will enter those markets and thus preserve them for agriculture.

Replacement crops would not replace many things we are now growing, but they would, as the future develops, provide new raw materials on new acres.

TUNG OIL

Now, to be specific concerning tung and the other oils you have mentioned. Tung is a good oil. Chemically, it contains a constituent that is not contained in any other domestic crop, that is, the fatty acid known as oleostearic acid which makes it ideal for varnishes and linoleum and similar products.

It is being crowded by castor oil which has been imported and which is one of the crops that might be grown as a replacement crop for cotton and wheat. We are doing the best we can with tung to help it keep pace with castor oil and synthetics from petroleum.

CASTOR OIL

Castor oil is also unique. It contains a fatty acid that is present in no other crop we know. This is ricinoleic acid. It provides the chemist with a raw material which isn't found in other crop material and can't be derived readily from petroleum, so we think there is excellent chance of its entering industrial markets.

SAFFLOWER

Safflower provides another unique oil. As Dr. Byerly has said, safflower oil contains about 70 percent linoleic acid. This makes it almost a pure raw material that has immense possibilities, we feel, for industrial chemicals of the future. We don't regard safflower as threatening to move soybeans out of production or flaxseed out of production.

INDUSTRY INTEREST IN SAFFLOWER AND CASTOR OIL

Mr. WHITTEN. I was told about some interests that promoted or prompted the Department in this. Who sponsored this movement in this field—castor oil and safflower?

Dr. IRVING. I don't know the extent of their promotional activities. I know the Pacific Vegetable Oil Co. is very interested in safflower. I know the Baker Castor Oil Co. is interested in castor oil.

Mr. WHITTEN. Did they appear before the Department incident to making your budget?

Dr. SHAW. They were not involved in the decision. The decision was made to include the item for safflower oil under utilization research. That decision was entirely a departmental decision based on what seemed to be the future potentialities of the oil.

Mr. WHITTEN. When did Dr. Irving find out about their interest?

Dr. SHAW. Processors have been contracting with growers for the production of safflower in increasing amounts for the past 5 or 6 years.

Mr. WHITTEN. And he presumed, because they were growing it, they would be interested. Is that the only reason he had for saying that they were?

Dr. SHAW. As far as I know, there was no presentation made to us to put an item in the budget for that.

Mr. WHITTEN. What representation or request was made? There is nothing wrong with them making it.

Dr. IRVING. I don't know that there was a request made. We have worked with these people and a lot of others.

Mr. WHITTEN. What made you conclude they were interested?

Dr. IRVING. Because they told us so.

Mr. WHITTEN. Now we are getting around to it. I don't mean to say that there is anything wrong with them expressing their interest.

UTILIZATION RESEARCH ON TUNG OIL

Dr. SHAW. Can I say just one other word, Mr. Chairman? In the case of tung, I want you to know that we are continuing utilization research on tung oil. We are trying to make wider uses of the oil that is being produced so as to improve the economic situation of the farmers that are growing the tung trees.

Mr. WHITTEN. May I say again that this is not in my section of the State. My knowledge is all secondhand. I was with this committee at the time the Government was providing the great amounts to grow rubber plants and other things, so we could be self-sufficient during the war years. I am positive that I recall the efforts of the Government to get the people down there to invest their money in tung oil.

Now, are we to take it, because of the statements you have made, that those folks will just swallow their losses and turn to something else?

What is the effect of your $116,000 on the operation? Does it just cut it out?

Dr. SHAW. We are retaining, as Dr. Byerly indicated, some funds on the production side, and we are retaining the small project on the harvesting of tung nuts.

Now in essence what we will have is someone the growers can turn to to help them with their problems. The funds will no longer permit advancing research on the growing of tung very much. The project will be of some service, but——

Mr. WHITTEN. I realize you had your limitations by the Bureau of the Budget and by your own departmental budget, but what are the increases they requested in this budget for utilization research in 1 year?

Dr. SHAW. The increase in the budget this year is about $5 million for utilization research in the Department.

Mr. WHITTEN. And added to that would be how much money for utilization research through Public Law 480?

Dr. SHAW. It would be anticipated through fiscal year 1959 we would use an additional $5 million.

Mr. WHITTEN. So that means in the field of utilization research there would be requested about $10 million?

Now what is the amount you have this year in those fields?

Dr. SHAW. Approximately $15 million, excluding some $1½ to $2 million of Public Law 480 funds that may be obligated later this fiscal year.

Mr. WHITTEN. So it would be jumped from $15 million to $25 million, because utilization research has got the public ear. Of course, it is good in its own right. But where the figure of $116,000 is cut out of an operation where the Government got people into this business, where the Government is buying the oil, and where the amount of Government investment in the oil itself, don't you think that a little review by this committee and the Congress might be in order?

Dr. SHAW. Yes; I do. As Dr. Byerly pointed out, we dealt within the framework of policy that had been established and tried to select the items that would cause the least harm.

Mr. WHITTEN. Well, Doctor, I appreciate the frankness with which you folks discuss this. I have the highest regard for you and the whole Department. As I say, I believe I am as much for research as any man in the United States. I do devote more attention to research results, in my own judgment, than some of the rest do. But despite my high regard for Drs. Byerly, Stiebeling, Elting, and the rest here, I just can't believe that you can add $10 million to utilization research in 1 year no matter how hard you work, and be 100 percent sure that all of it will be in good projects on the soundest kind of basis.

USES FOR SAFFLOWER OIL

Mr. ANDERSEN. One question, Mr. Chairman. I would like to go a little further into this safflower business. Is that directly competitive with flaxseed and cottonseed oil?

Dr. IRVING. I don't believe it would be correct to say it is directly competitive.

Mr. WHITTEN. May I interject this, sir. If you use one, you won't be apt to use the other one.

Dr. IRVING. For the same purpose, no. We hope to develop unique uses for safflower oil based on its peculiar chemical characteristics, just as linseed oil is used for paint, while cottonseed oil is not.

Mr. ANDERSEN. Doctor, getting down to brass tacks, aren't we here being asked for research money for something that is going to make it more difficult for cottonseed and flaxseed oil?

Dr. IRVING. I don't believe so.

Mr. ANDERSEN. Let alone soybean oil.

Dr. IRVING. I think again that with expanding markets soybean and cottonseed oils will not be hurt. We are looking at safflower primarily as an industrial oil.

The exception might be, as Dr. Byerly points out, that since safflower oil contains large amounts of unsaturated linoleic acid, some of it may find use as food if new information on nutrition indicates we should have more unsaturated fat in our diet.

Mr. ANDERSEN. I can see perhaps the justification of such a request if we were short of these other oils.

Now, I can't even get anywhere near 70 percent of parity for flaxseed that I grow up in Minnesota. I don't believe it will help to make funds available to simply provide more competition for crops already in difficulties.

Mr. WHITTEN. Pursuing that matter further: Safflower oil is not going to replace these oils that Mr. Andersen has mentioned but is only going to be a source of industrial raw material. Now, may I go back and say that the survey on the industrial use of agricultural commodities was for the purpose of helping those agricultural commodities.

I have understood that the Department of Agriculture's research was for the purpose of spending money to find a raw material for industry. I understand that this report on research for industrial use was about commodities that you had trouble with.

Now, if we are being asked to spend money just to get up a new raw material for industry, let's find out now and let's put it in the proper committee, because this is an agricultural committee.

Dr. IRVING. If I have created that impression, I should be called on it.

Our job is to help the farmer. And one of the ways we can help the farmer is to give him something he can grow profitably in place of the crops he is now growing unprofitably.

Mr. WHITTEN. I accept that.

Now, we go further. What is the outlook on the price the farmer will get from safflower. I realize until you do your research and until you try it, all we see is something very rosy on the horizon.

Now, what do you see on this pricewise and profitwise for the farmers?

Dr. IRVING. On the production of the crop, I can't answer that, Mr. Chairman. Dr. Byerly may be able to do so. But I do know that the price of the oil will likely be of the order of magnitude that would make it attractive for industrial use.

Mr. WHITTEN. That is a lot of fine generality, Doctor.

Dr. IRVING. I mean by that, that safflower oil will likely be in the same price range as soybean oil. But what the yields will be per acre, what would be the income to the farmer, remains to be seen.

Mr. WHITTEN. Is it grown commercially anywhere in the world?

Dr. IRVING. It is grown commercially in California, now. I understand there is also some in Nebraska.

Mr. WHITTEN. Before you recommended this money, did you check to see what the production per acre is, what the expense is, what the investment is, and what the rate of return per acre is?

Dr. SHAW. Particularly in the Western States, where it is being grown, we think it has potentialities. It would appear to be about equal with wheat as a cash crop.

MARKET FOR SAFFLOWER OIL

Mr. ANDERSEN. One further question.

Just what does this safflower oil do that can't be obtained from the other oils available? Just what is the great demand for it?

Dr. IRVING. The outlook is that safflower oil, which is about 70 percent of one chemical, linoleic acid, will yield products which can not be obtained at the same price from existing oils.

Mr. ANDERSEN. You are thinking solely of the price level. Now, can that product be produced from sources other than safflower?

Dr. IRVING. Honestly, I would have to say it can, but at higher price.

Mr. ANDERSEN. Who would benefit from the reduction in price? Will the farmer?

Dr. IRVING. We intend the farmer to benefit from all our research.

Mr. ANDERSEN. I know your intentions. But who will benefit in this specific instance?

Dr. IRVING. I think the farmer will.

Mr. ANDERSEN. It is an industrial product that you are aiming for.

Dr. IRVING. Yes. If industry uses it the farmer has a market.

Mr. ANDERSEN. But the industry will just gain a few cents per gallon or pound, whatever it might be sold at, if you succeed in your research of this particular item; is that it?

Dr. IRVING. That is not our objective.

Mr. ANDERSEN. Whatever develops along this line will make still more difficult our problems with flaxseed and cottonseed oil and such.

Dr. IRVING. I don't believe so.

Mr. ANDERSEN. Don't you feel it will replace even a small potential market furnished already by these other three great crops on the American agricultural horizon today?

Won't it eat into the market of the other?

Dr. IRVING. It can. Or perhaps I should say it could but I don't believe it will.

Mr. ANDERSEN. I see Dr. Byerly shake his head. Doctor, tell me why it won't eat into the markets for others.

SAFFLOWER AN EXCELLENT SOURCE FOR LINOLEIC ACID

Dr. BYERLY. We have to take a certain amount of risks. According to the present best information, linoleic acid, for which safflower is the best source, is necessary to the metabolism of fats of whatever source. Now, if the oils—and here we come to beef fat as a primary kind of fat—which is low in unsaturated fat, can be improved in its metabolism so that we can eat it safely by adding a little safflower to our compound; if our butter with a little safflower oil included will be subscribed to by our nutritionists as safe for consumption in larger amounts, then it seems that in fact safflower may help us with our fat problem from the food standpoint.

Now, there is a risk involved. The research may not be substantiated. But it seems at the moment to be the best lead that we have.

Is that not correct, Doctor?

LINOLEIC ACID IN CONTROL OF BLOOD CHOLESTEROL

Dr. STIEBELING. Research results in some parts of the world have indicated that levels of blood cholesterol can be kept low by controlling the proportion of linoleic acid, which is a highly unsaturated acid, to the saturated fatty acids.

And that by controlling the proportion, you can get the same results that you would get from lowering the total fat intake very markedly.

We had hoped to have additional funds to investigate this question at an earlier stage. But within the last year we have redirected our program so as to release funds from some other sources so as to now have underway, two small-scale experiments using human subjects in which we are studying blood cholesterol levels with an intake of fat that is characteristic of the present assortments of fat that are used in this country. After establishing a base line we are modifying the fats that are being used in the experiment so as to double and triple the amount of linoleic acid, to see whether an increased amount of linoleic acid will enable the subjects to use the ordinary assortments of fat—those from butter, meat fat—that is, from beef or from pork—from cottonseed, from soybean, and so on, from margerine, all of the usual assortment of fat, the levels and the assortment characteristic of the United States of America, without increasing the levels of cholesterol. It looks from clinical experience as if that might be true. But whether it is true or not has not been demonstrated.

Thus we are trying in current research to see whether by increasing the linoleic acid content of the diet we can continue with the kinds and level of fat intake that we now have without increasing blood cholesterol.

Mr. WHITTEN. I understood the Doctor to say he hoped through this discovery to provide the American people with butter they can eat.

Dr. STIEBELING. Many doctors are now saying our diet is too high in fat. We are saying that maybe it isn't too high in total fats if we can increase the amount of linoleic acid in the assortment.

Mr. WHITTEN. You can get that acid, can you not, without getting it from safflower?

You don't have to get the acid from safflower to make the tests as to what would be in butter; do you Doctor?

Dr. STIEBELING. No.

Mr. WHITTEN. So the tests you are talking about doesn't necessarily require safflower. The test is to use the acid, of which it has a double content. And it is something completely separate as to whether we want to go into a safflower business.

Dr. STIEBELING. That is correct.

INDUSTRIAL USE FOR SAFFLOWER OIL

Mr. WHITTEN. Now, we turn to Dr. Irving and he says the primary thing he sees in this is for industrial use.

All right. Now what is industry using now that they would use this instead of?

Dr. IRVING. Primarily synthetics from petroleum.

The CHAIRMAN. So it would replace that?

You say "primarily." How much is that? Thirty percent petroleum and 30 percent something else? What do you mean by "primarily"?

Dr. IRVING. The products into which this oil might go are now made of chemicals derived primarily from petroleum.

The CHAIRMAN. You are hitting this committee from two sides. Dr. Stiebeling is talking about how it will help to keep down cholesterol. Dr. Byerly has said it will modify butter. You can say it will replace the petroleum products. Would you all mind getting together? I always thought a lawyer who argued 3 or 4 different things and wouldn't stick to the main point had a weak case.

Dr. BYERLY. Won't you accept the sum of our statements?

Mr. WHITTEN. It is worthwhile experimenting with new crops. I am highly doubtful as to whether we should do it at the expense of cutting out work that is essential in existing crops. And we should be very careful that we not do it to the point of substituting one highly questionable crop for one that we already produce, on which many people are dependent, one which is prominent in our economy, and one which is already in trouble.

This is primarily an agricultural appropriations committee and you do leave me with the feeling that the interest in this may come from these other people who may have the necessary essentials with which to push.

Mr. ANDERSEN. Your comments bring me up to a point in this connection. You mentioned expending money for this safflower research.

RESEARCH ON ASTER YELLOWS IN FLAX

Now, as you say, that may be very necessary and very essential. But I would like to ask whichever one of you gentlemen know the answer, this question: What is being done in connection with what is known as aster yellows in flax? Are you expending or proposing any money in this budget, with the elimination of that?

Dr. BYERLY. Mr. Andersen, we have during the current fiscal year, diverted from fungus diseases, $10,000 to the study of aster yellows of flax.

Mr. ANDERSEN. Wouldn't you say, Dr. Byerly, that that perhaps costs the farmers of the Midwest several million dollars this year in loss.

Dr. BYERLY. Yes, sir.

Mr. ANDERSEN. That one disease?

Mr. BYERLY. We have emphasized it within the limits of our capacity to shift funds to that problem. We recognize it. We are within the limits of our funds shifting emphasis to it.

Mr. ANDERSEN. If I were to make my decision in this case based upon the health issue, I would have to go along with Dr. Stiebeling. But Dr. Stiebeling tells me that that acid is available from other sources to make the experiment you have in mind relative to cholesterol and so forth in the blood stream.

Dr. STIEBELING. As a matter of fact, in our experimental setup we are using small amounts of safflower in this mixture, because it is the most concentrated source of linoleic acid. And it is too expensive to try to get a pure linoleic acid.

Mr. ANDERSEN. Still you do have amounts available for research. We would want that, of course, to be always available. But here we are faced in our section with a loss of, I don't know how many millions of dollars due to this one thing—this aster yellows. And I would think it would be much more helpful—I know it would to the farmers of my area—if in some way we could find not $10,000 but maybe $150,000 to put in and see what can be done on this extreme loss that we are suffering relative to flaxseed because of that one disease.

What is this aster yellows, by the way, Doctor?

Do we have somebody here who knows the details of that?

Dr. BYERLY. No. I would like to supply that for the record, the characteristics of the disease and the extent of damage.

(The information referred to is as follows:)

ASTER YELLOWS OF FLAX

The virus disease of flax, known as aster yellows, is spread by leafhoppers. It caused an estimated reduction of 16 percent, or 7½ million bushels, in the 1957 flax area—Minnesota, the Dakotas, and Montana. The Department is attempting to breed flax for resistance to aster yellows. This work is in cooperation with North Dakota Agricultural Experiment Station.

Mr. WHITTEN. We have belabored this subject quite a bit trying to find out. It seems to me at least that this is not a question of closing down work that may be completed or where you see little prospect of any benefit. But the record shows that these reductions were made

under unusual circumstances. Also involved here is whether the utilization research increase will be $9 million or $10 million. So we must make a thorough investigation of the value of the $800,000 that you cut off of existing work so as to make the increase for utilization research even larger.

And it is in that direction that I have directed my examination.

Do you care to pursue that any further, or take up some other items?

RESEARCH ON ORNAMENTAL CROPS

Dr. BYERLY. I have some other items, Mr. Chairman. The next item to be reduced is ornamental crops research. Research on ornamentals would be substantially reduced and the only remaining work would be that at Beltsville, Md. Cooperative research on flowering bulbs and other ornamental plants at Corvallis, Oreg., and Puyallup, Wash., would be discontinued.

Research at Tifton, Ga., on control of diseases of camelias and Easter lillies also would be discontinued.

Research at Beltsville, Md., would be reduced by eliminating work on control of diseases of roses and breeding work for improvement of gladiolus.

Research at Tucson, Ariz., on control of diseases of the Giant Saguaro, would be eliminated.

Research at Tifton, Ga., on control of diseases of mimosa would be discontinued.

Mr. WHITTEN. For research on ornamentals, you would reduce that work by $50,000. We are all familiar with the tremendous pressures to which we have been subjected from those in that business. They point out the tremendous value of the business and the amount of taxes that they pay the Government, and things of that sort. And frequently, it is not a field where the folks in the business are identified as agricultural farmers. And yet, they are growing plants from the soil.

Is there any other committee of the Congress or any other place in the governmental setup to which these people, with this great investment and big taxpaying business, could turn for this? Is this something that must be done through the Department of Agriculture, if it is done on a Federal basis?

Dr. BYERLY. I know of no other place to which they could turn.

You spoke of the value of the business. I have been given estimates of $360 million a year value of product.

Mr. WHITTEN. While we don't usually think of them as farmers, they are growing plants from the soil.

Dr. BYERLY. Many of them are farmers.

Mr. WHITTEN. What would be the result of that reduction? If you want to put that in the record, we would like to have the full story there.

(The information appears on p. 528.)

Mr. WHITTEN. You might proceed, then.

NATIONAL ARBORETUM

Dr. BYERLY. The next reduction item is for the National Arboretum. The funds at the National Arboretum heretofore available for development of its physical facilities would be reduced.

I have stated, and I will reiterate, that it was our judgment that no items other than these that we have indicated, could have been reduced a like amount with less damage to agriculture as a whole. And there was no other consideration taken into account.

Mr. WHITTEN. Dr. Byerly, I accept that at full value. But what it means is, if these are very valuable, the others are equally so, and in your judgment perhaps more so.

If the record shows these are highly valuable and this is your best judgment, then I accept that at face value.

Dr. BYERLY. That is a reasonable interpretation of my statement.

Mr. ANDERSEN. What is proposed to be cut out in connection with the Arboretum?

Dr. BYERLY. This is a postponement.

Mr. ANDERSEN. I should use the word "postponement."

It will be slowing it up a trifle.

Dr. BYERLY. That is correct. Subject to action in the future budgets. This in itself would entail only a delay of 1 year.

Mr. ANDERSEN. You are not changing the general plan?

Dr. BYERLY. No.

Mr. ANDERSEN. That is all.

You might elaborate a little later on.

(The information appears on p. 528.)

REDUCTION IN SOIL AND WATER CONSERVATION RESEARCH

Dr. BYERLY. If we may proceed with the reduction items: In soil and water conservation research in addition to the elimination of $1,445,000 for nonrecurring construction costs which was covered in the testimony yesterday, there is a reduction of $142,000. This is a general reduction in research at Beltsville, Md.

This is the estimated amount that might be contracted and is not, therefore, obligated to specific projects for 1959. We will insert additional information on this item.

(The information appears on pp. 529–530.)

RESEARCH ON SHIPPING FEVER

Mr. MARSHALL. What success have you had in finding a cure for shipping fever?

Dr. BYERLY. We are very actively engaged again in shipping-fever research. To answer the question directly about its success—none. But, then, to elaborate, we have a very active project at the present time in examining material from cases of shipping fever.

In 11 reports made recently, we found *Pasteurella*, a bacterium, present in 8 of the cases, and *Hemophilus*, another bacterium, in 2 of the cases. It is supposed that, probably, there are a variety of viruses, and we are undertaking to cultivate and to identify these viruses.

We had hoped, and have hoped for a long time, to step up our work in shipping fever, and I am very pleased that we have been able to make even this much of a beginning with our limited resources.

As you know, it is a very bad problem and a very difficult one to cope with. It would be my estimate, Dr. Clarkson, that it will be some years before we have an answer to it. That is, if we are correct that there are probably a multiple number of viruses involved, and that these associated bacteria are probably secondary rather than primary invaders.

Dr. CLARKSON. The only other thing I could add to that would be that, having lost a great deal of our facilities for animal-disease work, further intensification of work on that important problem, as with others, has to wait for the construction of the Ames Laboratory. The basic research which it is hoped can be undertaken at that Laboratory will be helpful toward the solution of this and other very pressing animal-disease problems.

Mr. MARSHALL. In connection with shipping fever, isn't it one of the diseases that cattlemen suffer the greatest losses from?

Dr. BYERLY. Animal loss, no. But loss in rate of gain, loss in morbidity, I would suppose, is very high. I would suppose, as far as those people who feed cattle are concerned, that this is the No. 1 disease.

Mr. MARSHALL. You were going over these projects where you requested redirection of research.

REDUCTION IN FARM HOUSING RESEARCH

Did you cover the reduction in farm-housing research?

Dr. BYERLY. I have just come to that. It has not been covered. Shall I proceed?

The CHAIRMAN. Yes; proceed.

Dr. BYERLY. The next item marked for reduction is $50,000, which would eliminate the Cooperative Farm Plan Building Service and reduce farm-housing research.

It is proposed to discontinue the Cooperative Farm Plan Building Service, which provides farmers and extension workers with a broad selection of plans for farm buildings that incorporate results of recent research by both the Federal and State Governments. There would also be some reduction in farm-housing research.

Now, this activity is one that I know some of you are familiar with. I have an example. You are familiar with it, I know, Mr. Marshall.

It is a service associated with research and the application of research results. There is a very substantial public use. The distribution is made through the States. But there is a question when we come down to priority on a purely research standpoint, and I suppose this would have to be at the very bottom of the list, because by definition I would be hard put to say that is a research activity.

However, it is a very valuable service. It is my estimate that, if this is discontinued by us, it will be continued by the States. That is a personal guess. But I would assume it would not be abandoned.

Mr. MARSHALL. These plans that are developed by you in the matter of housing gives it a national aspect. It is coordinated here, is it not?

Dr. BYERLY. That is correct; national and regional.

Mr. MARSHALL. How can the States replace the work that you are doing on that basis?

Dr. BYERLY. They would have to, through their own devices and through their present regional arrangement, meet and arrange, one with the other, to supply this service.

Mr. MARSHALL. Which would mean that, if they did that, if each one of the States did that, you would have almost 48 people doing what you are doing now in 1 place.

Dr. BYERLY. That could happen; yes.

Mr. MARSHALL. Now, you do and will continue to do a considerable amount of work in your engineering work, will you not?

Dr. BYERLY. Yes, sir. We will continue to do more, and in future years we hope to do still more, because, in this field of shelters, human and animal, there is a great deal of work to be done.

Mr. MARSHALL. So, this work you are doing here is actually a compilation of some of the research work?

Dr. BYERLY. That is correct. This is putting research results to work.

Mr. MARSHALL. Since you are doing that work, how are you going to get that out of the field in any less expensive method than by sending this out?

Dr. BYERLY. I have no ready answer to your question, Mr. Marshall. With your permission, we will make a single insertion at this point of the data requested concerning program decreases proposed for farm research.

(The information requested is as follows:)

STATEMENT ON PROPOSED REDUCTION OF FARM RESEARCH

A substantial increase in utilization research is urgently needed to find new uses and new markets for surplus agricultural products. As a part of the effort to meet the imperative need for research aimed at increasing the total market demand for farm commodities, it is proposed—in addition to the increase of $4.6 million recommended in the appropriation to the Agricultural Research Service—to provide a further $805,000 by redirection of work within presently available funds. This proposal is made with the objective of using available resources for the most urgent research needs. This redirection will result in some reductions in farm research as indicated below. These reductions are in areas where they can be made without serious damage to agriculture as a whole. While they will affect some farmers and others who benefit from the research, they are considered to be of lower priority than utilization and other research work which would be conducted in 1959.

ANIMAL HUSBANDRY AND ANIMAL DISEASE AND PARASITE RESEARCH

Goat nutrition research (—$14,000)

Status under budget estimates: Work eliminated.

Number of farmers affected and value or volume of production: More than 10,000 farmers keep milk goats. Milking does are estimated to be approximately 100,000 in number. Annual value of their milk is about $7.5 million.

In addition, goat milk is a naturally homogenized product and has a small curd compared to cow's milk. It is estimated that about 0.5 percent, or 30,000, of the babies born each year develop allergy, as defined by specific antigen-antibody response, to the globulin fraction of cow's milk. A much larger number of infants utilize cow's milk unsatisfactorily though they may not be allergic to it in the strict sense. Most infants with disturbed digestion of cow's milk, or allergy to it, are shifted to evaporated or other modified cow's milk. Some are shifted to soybean milk or to meatbase milk, and some are shifted to goat milk.

Some elderly people, invalids and convalescents, utilize goat milk as a major component of their diet.

History of project and research problem: This project was initiated about 1925. Current research is concerned with evaluation of goat milk and chevon (meat) from growing kids, feed requirements for economic production of goat milk, and reproductive problems.

Accomplishments: This project has contributed to the evaluation of feedstuffs for milk goats and for replacement does. There have also been productive studies of the physical, chemical, and nutritive value of goat milk and of chevon from kids.

Status or future of project: The present need is for basic research to determine the nutritive requirements of milk goats for reproduction, lactation, and growth, and on physiology of reproduction.

Fur-animal research (*—$75,000*)

(*a*) *Rabbits.*—Status under budget estimates: Work at Fontana, Calif., eliminated.

Number of farmers affected and value or volume of production: About 24 million rabbits are produced annually on about 125,000 farms. Their estimated annual value is $30 million.

History of project and research problem: This project was started about 1927 at Fontana, Calif. Current research is concerned with nutrition and management problems in commercial production of rabbit meat and fur. Disease research is concerned with enteritis, the principal cause of loss in infant and growing rabbits, and with pneumonia, a disease of breeder rabbits.

Accomplishments: Sanitary commercial management methods have been developed which are widely used by the industry. Combinations of feeds for economic production of commercial rabbits have been developed and tested and are also in wide use. Factors affecting the incidence of enteritis and pneumonia have been identified.

Status or future of project: There has been little effective rabbit-breeding research. Such research would prove profitable to the rabbit industry. The rabbit has proved to be very useful also as a pseudoruminant in providing pilot information with respect to breeding and nutrition of ruminant livestock species. There are continuing needs for disease research, including further work on enteritis and pneumonia.

(*b*) *Mink, marten, and fox.*—Status under budget estimates: Work at Petersburg, Alaska, eliminated.

History of project and research problem: This project was initiated about 1937. Principal problems are mink nutrition and nutritive requirements, pelt condition, and reproduction problems.

Number of farmers affected and value or volume of production: The work with mink at Petersburg, Alaska, is representative of about 15 percent of the fur-farming industry, or roughly 1,500 mink ranchers with an annual production value of $10 million. This station is also the only Department location engaged in fur farming where there is a partially successful breeding colony of marten. It also has an unusual breeding colony of blue foxes. In the opinion of many Alaska residents, especially those in Petersburg, fur farming is one of the few possibilities of profitable farming in the area.

Accomplishments: Methods of utilizing byproducts from local fisheries as a major constituent of mink diets have been developed. Contributions to the solution of such problems as "yellow fat," "cotton pelt," and "watery hide" have been made. It has been shown that the use of antioxidants and antibiotics are effective in greatly decreasing losses due to these problems. These results are applicable wherever mink are farm produced.

Status or future of project: There is a continuing problem in effective utilization of locally produced feeds, as well as major problems on reproduction and pelt quality, and for research on diseases, including "yellow fat," "watery hide," etc. Reproduction is the principal problem when marten are raised in captivity and has not been completely solved. The blue-fox colony is of unusual quality and of potential interest to fur farmers.

Dual-purpose cattle breeding research (*—$118,000*)

Status under budget estimates: Work eliminated.

Number of farmers affected and value or volume of production: It is estimated that there are more than 1 million dual-purpose cattle on over 100,000 farms. The value of dairy products, cattle, and calves from such animals is estimated to exceed $200 million annually.

History of project and research problem: Research was initiated in 1930 on methods of developing a type of dual-purpose cattle to breed true for both meat and milk production.

Accomplishments: The breeding project using Milking Shorthorns at the Agricultural Research Center represents the major study now being conducted on dual-purpose cattle in this country. The State experiment stations conduct very little research in this field. Breeders of this type of cattle, which are important sources of income to many farmers in certain areas and on small farms, depend very largely on this project for information.

Starting in 1931, the research on improved breeding methods was directed at selection for both milk production and beef traits in the same animals. Up to 1950, average milk production declined while meat traits showed improvement. Beginning in 1950, management emphasis was placed on increased use of roughage in the feeding of the herd.

Over the past 10 years there has been a modest improvement of upwards of 1,000 pounds annually in the milk production in first lactation heifers. The difficulty in effecting permanent improvement in both meat and milk production at the same time suggests an antagonism between milk and beef genetic traits. Thus, it is of fundamental importance from the standpoint of breeding methods to determine conclusively whether there are genetic antagonisms between milk and meat traits and, if so, how strong they are; or, if not, how to develop rapidly combined milk- and meat-type animals. The project was revised in 1956 to accomplish this purpose and over the next 15 years would have been expected to yield basic information important to the future of the Nation's beef and milk supplies.

Comparisons during the past 3 years of the performance and carcasses of beef, dairy, and milking shorthorn steers, under regimes using large quantities of roughage, show that the dairy and milking shorthorn types gain faster. While their carcass grades were lower, neither the percentages of separable lean, fat, and bone nor palatability of the meat showed inferiority to the beef type. This has important implications regarding present carcass and meat quality standards and should be pursued further.

Status or future of project: Research on the problem of meat production from cows kept for milk is essential whether dual-purpose cattle or dairy cattle are used, since a very substantial proportion of our meat supply is cow beef.

CROPS RESEARCH

Sweet sorghum (—$55,000)

Status under budget estimates: Work eliminated.

Number of farmers affected and value or volume of production: The 1954 census reported approximately 23,000 farmers growing sorghum for syrup production. A much larger number raised sweet sorghums for forage. Sorgo syrup is valued at approximately $6 million annually. It is in short supply.

History of project and research problem: The project was started in 1941. Problems include need for increase in the average acre production of high-quality syrup. Acre yeilds are too low to provide an adequate profit to the grower. Increase in acre yield would require high-yielding varieties of superior quality that are resistant to disease, insects, and cold injury. A dependable source of high quality sorghum silage is needed by the livestock industry of the South.

Accomplishments: Four varieties have been released that have proved adaptable to a wide range of conditions. Sart, a late-maturing high-yielding variety, was released in 1951. This variety is adapted to the warm regions of the Southern States. In June 1953 Tracy, a midseason-maturing variety, was released which is adapted to the northern areas of the syrup belt. Both varieties have good yielding ability and are resistant to most diseases. In 1956 Wiley, which is superior to Sart, was released and is expected to replace it. A new variety named Brawley will be released for culture in the Imperial Valley of southern California in the spring of 1958.

Other accomplishments have included important information on fertilization and cultural practices, optimum time of harvest, effect of storage of stalks on yield and quality of syrup, as well as publication of Farmers' Bulletin 2100, entitled "Culture of Sorgo for Syrup Production." Basic information on the inheritance of important plant characteristics, the resistance of parent varieties to major diseases, and physiological factors that influence the production and handling of the crop has also been obtained.

Status or future of project: Research is needed to develop varieties with increased yield of sorghum per ton of stalks and per acre, to explore the possibility

of developing and utilizing hybrid varieties direct on the farm, and to breed sorghum with resistance to lodging. Such sorghums are needed especially for silage. It is also important that the syrup produced from such varieties have superior commercial qualities.

Tung nuts (—$116,000)

Status under budget estimates: Research placed on standby basis.

Number of farmers affected and value or volume of production: The 1954 census reported 13,109,026 tung trees of all ages on 3,220 farms. The 10-year average annual production in this country was 65,191 tons. However, the 1956 and 1957 crops were 103,260 and 101,800 tons, respectively. The average annual farm value for 1950–54 was estimated at $6,145,000.

Tung-oil production has increased steadily since 1950 during which time losses from frost were larger than in any other previous 5-year period. Average oil production since 1950 was 23.5 million pounds. The estimated 1957 production is approximately 32 million pounds.

History of project: This project was started in 1938. Tung is a comparatively new crop in the United States. It was introduced about 50 years ago and assumed commercial importance about 1939 when a little more than 1,000 tons of nuts were produced. Before war conditions forced a drastic curtailment of importations this country relied principally on foreign supplies. As imports practically ceased, prices for domestic supplies increased to a point where in 1942 and 1943 CCC purchased the entire domestic production of this vital commodity in order to control distribution.

In May 1942, the American Tung Oil Association held a convention in Mobile, Ala., where the industry's program for increased production of tung oil was discussed. Among the speakers were representatives of the United States Department of Agriculture and Commerce who discussed the importance of tung oil as a critical war material, production problems, etc. At this convention the industry recommended use of approved production methods for increased yield of oil in cooperation with the Federal Government. On June 16, 1942, supplement 13 to the 1942 agricultural adjustment program was issued to include additional benefit payments for soil building allowances on tung orchards. Supplement 13 follows:

ACP–1942–13 Issued June 16, 1942

UNITED STATES DEPARTMENT OF AGRICULTURE, AGRICULTURAL CONSERVATION AND ADJUSTMENT ADMINISTRATION, AGRICULTURAL ADJUSTMENT AGENCY

1942 AGRICULTURAL CONSERVATION PROGRAM, SUPPLEMENT NO. 13

The 1942 agricultural conservation program, as amended, is further amended as follows:

The last paragraph in section 2 (d) is amended to read as follows:

"SECTION 2 SOIL-BUILDING GOALS, PAYMENTS, AND PRACTICES

"*(d) Soil-building allowance*

"In addition to the soil-building allowance computed for the farm (1) a forestry allowance of $15 may be earned only by planting forest trees; (2) a restoration land allowance of 50 cents per acre for each acre of restoration land on the farm may be earned only by carrying out approved soil-building practices on restoration land; and (3) a tung-orchard allowance of $3 per acre for bearing tung orchards and $5 per acre for nonbearing tung orchards, may be earned to the extent that soil-building practices designated by the Agricultural Adjustment Agency are carried out on the land in the tung orchards in excess of the amount computed under (3) above for bearing tung orchards."

Done at Washington, D. C., this 16th day of June 1942. Witness my hand and the seal of the Department of Agriculture.

[SEAL] GROVER B. HILL,
Assistant Secretary of Agriculture.

Increased production of tung oil from the 1944 and 1945 crops and development of substitutes for the oil caused CCC to discontinue its previous policy of buying the entire annual supply of tung oil. However, to assure maximum production on existing acreage, price-support programs were carried out in 1944 and 1945.

The price of tung oil has been supported in subsequent crop years, except in 1946 and 1948.

Research prob'ems.—During the last 3 or 4 years a disease known as angular leaf spot caused by a fungus (*Cercospora aleuritidis*) has assumed economic proportions in all of the tung-producing areas. In evaluation of losses it was found that trees on which the disease was controlled yielded fruit having 19.8 percent oil, whereas unsprayed trees produced fruit containing only 15 percent oil. About 25 percent of the crop of fruit on the unsprayed trees dropped prematurely.

The problem of cold resistance, especially to injury caused by spring frost that killed fruit buds, has assumed greater importance in the last 5-year period than in any previous 5-year period.

Accomplishments.—The results of research work done largely by the Department indicate it is possible for tung to be successfully produced in areas of the Gulf States where heretofore it has not been possible to produce a tree fruit crop under those soil and climatic conditions. The suitability of the soil series and type for tung production has been determined. Breeding investigations have resulted in the release of six new varieties which are used in all new tung orchards that are now being established.

Through se of these varieties and research on fertilizer practices, amounts to be supplied, and other practices, it has been possible to increase yields of fruit per acre as much as three times or more on large acreages.

Status of future of project.—Many of the existing tung orchards which were established with nondescript seedling trees should now be replaced with new high-producing varieties. If this were done and the orchards given proper care and attention with respect to culture and fertilizer, production of fruit and hence of oil would be increased over present production by 2 to 3 times, which would fully meet our present requirements for these oils.

Further research is needed on leaf spot, cold hardiness, and proper fertilization of the trees, and to determine factors affecting the oil content of the fruit.

Ornamentals (—$50,000)

Status under budget estimates: Work to be discontinued would include research on flowering bulbs and other ornamental plants at Corvallis, Oreg., and Puyallup, Wash., research at Tucson, Ariz., on control of diseases of the Giant Saguaro, and research at Tifton, Ga., on control of diseases of camellias, Easter lilies, and mimosa. Research on roses and gladiolus at Beltsville, Md., would be reduced.

Number of farmers affected and value or volume of production: The latest available statistical data indicate there are 40,032 farm establishments reporting the production of floricultural and horticultural plants in this country. The 1954 wholesale value of floricultural and ornamental-plant production from reporting farms was $453,652,672. Principal research needs are breeding for resistance to diseases (roses, carnations, gladioli, narcissus, tulips, iris and many other ornamental plants, and American elm and other shade trees); improving production and forcing methods through growth regulating chemicals and modification of environment; and improvement of keeping quality of roses, other cut flowers, bulbs, and corms.

Accomplishments: In the area of ornamentals research which would be curtailed, new varieties of lilies, carnations, chrysanthemums, and azaleas have been developed and released. A virus disease of chrysanthemums which threatened to wipe out this industry has been brought under control. Methods of control of flower spot disease of azaleas have been developed. Wilt resistant mimosa trees have been developed.

Status or future of project: Control of bacterial disease of Giant Saguaro, a cactus, remains to be solved. The growing of flowering bulbs in the Southeast and Pacific Northwest are faced with many problems, including diseases, fertilization, bulb curing, and storage. Breeding for cold hardiness in camellias is needed. New types of shrubs and shade trees need to be developed for streets, parks, and landscaping.

National Arboretum (—$185,000)

Status under budget estimates: Reduction represents funds which have been used for completion of road system. Construction of greenhouses and other improvements would generally be deferred. The proposed reduction does not reflect any lack of interest, either by the administration or by the Department of Agriculture, in the future development of the Arboretum.

History of project and problems: The Secretary of Agriculture was authorized by the act of March 4, 1927, to establish and maintain a National Arboretum for purposes of research and education concerning tree and plant life. A council

created under section 4 of the act advises the Secretary on its planning and development.

For many years after 1927 little development was accomplished at the Arboretum except for acquisition of a site. In 1947 a long-term program was developed in cooperation with the advisory council for activation of this project. The estimated cost of the plan was about $3.4 million. It included cost of roads, trails, service buildings, and a headquarters and research building.

Accomplishments: Funds made available through 1958 will provide for about $1.5 million of this long-term development project. The construction and surfacing of roads will be substantially completed in the current fiscal year. It is expected that the Arboretum will be open to visitors on a full-time basis in the spring of 1958.

Status of future of project: Principal remaining needs to complete the development program are the headquarters and research building, greenhouses, and completion of trails. A headhouse and one greenhouse, including relocation of present greenhouse facilities, have been recommended in the budget for fiscal year 1959.

SOIL AND WATER CONSERVATION RESEARCH

Status under budget estimates: There would be a general reduction of $142,000 which would apply to contract research projects which would have been recommended for negotiation during fiscal year 1959. These projects are listed below:

(1) *The effect of surface roughness upon evaporation from a plane boundary*

Water is one of the Nation's most vital resources. The principal objective of this research would be to determine the effect of surface roughness and artificial surfactants, such as long-chain alcohols, upon evaporation from water-storage basins. The interrelations of air temperature, humidity, intensity of radiation, size and shape of reservoir, and surrounding topography on evaporation from surface reservoirs would also be studied.

(2) *Extending the host range of rhizobium toward providing biological nitrogen to nonleguminous plants*

The influence of nitrogen-forming bacteria on the roots of such soil-conserving crops as legumes is one of the key considerations in agriculture. There appears at the present time to be enough knowledge of bacterial genetics and of the genetics of host-rhizobium interaction to justify setting up a research program to ascertain whether the host range of rhizobium might be extended to nonlegumes. Obviously, the development of information by which nitrogen could be supplied biologically to crop plants other than legumes would have profound agricultural implications.

Research would be initiated toward effecting mutants of rhizobium, including studies on the biochemical specificity of such mutants and their genetic characteristics in relation to host-range specificity.

(3) *The development of flip-bucket spillways*

The design of hydraulic structures for the small-watershed program poses a pressing problem in the proper control of water passing through a spillway or over a drop or chute. The kinetic energy of the water may be dissipated either in a horizontal or a vertical direction. Dissipation in the horizontal direction is the method most commonly used in present design procedures.

In many cases, however, it is possible to dissipate the energy in the vertical direction. One very promising method of dissipating energy in the vertical is the trajectory or flip-bucket type of spillway, which is also known as the ski-jump spillway. The flip bucket has been used on dams in Europe and Asia and to some extent in this country but we feel that more research development is needed.

(4) *The toxicity to ruminants of molybdenum and other rare earth minerals in forages*

There are extensive problems in the nutrition of cattle on the western ranges that are apparently associated with excessive accumulation of molybdenum, as well as such elements as titanium, uranium, bromine, strontium, rebidium, arsenic, and iodine. These are occasionally found in relatively high concentrations in forages where known troubles in cattle occur. Studies are under way in relation to this problem on small laboratory animals at the United States Plant, Soil, and Nutrition Laboratory, Ithaca, N. Y. Contract research would be conducted at a university where facilities are available to

carry on the necessary associated research with large animals. It would be done in the West where the unleached soils sometimes provide unusually high levels of these toxic elements in the range plants.

AGRICULTURAL ENGINEERING

Farm housing research (*—$50,000*)

Status under budget estimates: Farm building plan service cooperative with the States, would be eliminated.

Number of farmers affected and value or volume of production: In 1956 more than 1½ million farm families in 3,018 counties were given assistance through the Federal-State cooperative farm building plan exchange. This help covered construction and remodeling of homes and farm service buildings for better living and farming. In rendering this service the State agricultural extension services distributed about 115,000 exchange plans and nearly as many plans from other sources, in addition to large numbers of publications.

History of project and research problem: The cooperative farm building plan exchange was initiated in 1929. Prior to that time the Department and certain States prepared and distributed building plans to farmers. To provide for better and more efficient service, copies of Department plans are furnished to States for reproduction and distribution. A farmer planning building improvements has a difficult problem. Farmers generally lack the training or experience necessary to design new buildings or to alter existing ones to meet the needs of modern agriculture. Also commercial architectural services for such facilities frequently are not readily available to them or, if available, at reasonable cost.

Accomplishments: The cooperative exchange has brought to farmers of all States the benefits of research and other up-to-date information on farm buildings in an effective and usable form. It has provided a broad selection of plans for well-designed farm buildings for use as guidelines by Extension Service workers, representatives of the Farmers' Home Administration, and others. The Farmers' Home Administration needs reliable farm-building plans for use in its loans program for construction of farm homes and service buildings. Many plans and articles on farm buildings appearing in magazines are based on Department and State research or on cooperative plan-exchange material.

Status or future of project: During the period 1940–55 the index of production per man-hour for dairy, poultry, and other livestock enterprises (closely associated with buildings) increased only 50 percent while the index for crops increased 93 percent. At present farm workers are spending about 5 billion man-hours per year in performing tasks in and around buildings. Preliminary studies show that with proper building design this labor requirement can be reduced.

Dr. BYERLY. Since the progress notes have been inserted and since it is 3 o'clock, I will ask you, Mr. Chairman, whether you are, at this point, through with me or whether there are further questions.

The CHAIRMAN. Are there further questions?

Mr. HORAN. I have a couple of questions.

PEAR DECLINE

What is involved, Dr. Byerly, in order to step up the existing work on this new pear decline?

Dr. BYERLY. I will cover it as briefly and as simply as I can.

Pear decline is causing increasing concern to the pear growers in central Washington. Pear decline is apparently not a virus disease, not caused by nematodes, not caused by nutritional deficiency, and, therefore, it is supposed that it must be due to an incompatibility between the root stocks and the scion.

Mr. HORAN. Appearing in Japanese roots?

Dr. BYERLY. Yes. As far as these can be identified and in orchards planted during the 1920's. It is a very substantial problem. It is said that perhaps 40 or 50 percent of the trees may be affected to some degree by pear decline in the area.

Mr. HORAN. I am inclined to believe that it is a nutritional deficiency; because to those who are familiar with the French and the Japanese root, one looks like an O'Cedar mop, and the other one has an immense tap root. And I am inclined to believe the former root is insufficient.

And you talked with some very representative members from that industry, both canners and producers.

Dr. BYERLY. That is true. They came to my office and reviewed the problem with me.

It is my understanding that the pear industry is putting about $10,000 a year into research on this problem, and that the Washington State Experiment Station is putting about $10,000 a year into this problem. We are putting in the part time of 2 men.

Mr. HORAN. They desire one full-time man to work on this; is that correct?

Dr. BYERLY. That is correct.

It has been recommended to us that a horticultural physiologist, with, of course, supporting hands, and necessary materials, be added to the program.

Mr. HORAN. Would that involve an increase in the budget as you presently see it?

Dr. BYERLY. As far as we have been able to determine in a review of our budget and our existing means, we do not have the capacity for supplying such a person within the coming fiscal year.

REPRODUCTION FAILURES IN LIVESTOCK

Mr. HORAN. You are doing a considerable work in the fields that bear on abortion. And there are several of them.

Dr. BYERLY. That is true.

Mr. HORAN. You have one disease, I understand, that does not even require breeding to become contagious.

Dr. BYERLY. I believe that is the case with respect to leptospirosis, as far as that is concerned, which is transmitted by many means. It does, when it first comes into a herd, produce a good many abortions. After it has been established in the herd, the record is more or less normal.

Mr. HORAN. Vibriosis and Bang's disease are others.

Are you doing work in the entire field?

Dr. BYERLY. Yes, we are, a limited amount of work.

As Doctor Clarkson has pointed out, our work is limited with our facilities.

Mr. HORAN. It is my understanding that one of the things that affects—and in this production research again, one of the things that plagues the American cattle producer is the low percentage of calf crop. It is an average of less than 70 percent.

Dr. BYERLY. In my opinion the rate of reproduction is the greatest limiting factor in the breeding herd. And that is for all classes of livestocks.

Mr. HORAN. That is all, Mr. Chairman.

Mr. MARSHALL. At this time we will hear from you, Dr. Irving, concerning utilization research and development.

CURRENT OBJECTIVES OF UTILIZATION RESEARCH

Dr. IRVING. In utilization research and development, Mr. Chairman, our objective is, as you know, to develop new and improved products and processes so as to increase the use of agricultural products, and to make them more attractive as raw materials for all uses.

We strive to develop new and improved food, feed, and industrial products; currently our emphasis is on the development of industrial products based on the unique raw materials that agricultural products provide.

With the increases requested in the current budget, approximately 70 percent of our work will be devoted to the development of uses for major surplus crops.

The most promising outlets in this field include products whose names are becoming more and more familiar to us in the items that we use every day, such as plastics, lubricants, detergents, resins, coatings, sizes and adhesives, thickeners, binders, and films. These are used in vast quantities now in the articles that we use in our everyday lives.

And in more and more of these products we are using, not agricultural materials, but materials from other raw material sources such as petroleum and the metals.

Agricultural raw materials have gone into many of these things traditionally. They are being maintained in some of these markets through continuing research. They are losing in some other markets.

It is our objective, as the demands for these industrial materials increase, to assure that agriculture has its share of the markets for them. Our research is aimed principally, in this budget before you, at initiating new lines of work and expanding current lines of work which will put the prime raw materials of agricultural products—that is, fats, carbohydrates, and proteins—into more industrial products.

We are not ignoring in this process our attention to food and feed products. But we are emphasizing industrial uses, because we think the greatest opportunity for greatly expanding the markets for agricultural crops lies there.

In a way, industry, which now synthesizes a good many of these products, such as detergents, substitutes for leather, and others that could be mentioned, has just learned to do within the past couple of decades what nature has already done in providing the starches, cellulose, and proteins that we have in our agricultural products.

The starches and proteins and cellulose are polymers themselves. A polymer is a large chemical molecule made out of repeating units of very simple molecules; so that starch and cellulose are polymers of simple sugar. The proteins are polymers of simple units, the amino acids.

Nature makes these polymers to provide products that are useful to the plants and animals that contain them. Nature could not anticipate that man might wish to convert its polymers into industrial products.

Industry has learned to put together small molecules to produce large molecules and can do so in such a variety of ways that they can produce a wide variety of properties in the end product. Consequently, agricultural raw materials are sometimes at a disadvantage

in a good many industrial markets because they do not possess the variety of specific properties that industry is now demanding.

So, our objective in this field is to take agricultural raw materials and try by chemistry to endow them with those properties that will permit them to compete better with synthetic raw materials.

We have six broad areas into which the budget is divided. We would like to review with you the major items of progress and discuss the increases in each area.

EXAMPLES OF RECENT PROGRESS

Examples of recent progress are contained on pages 68 to 72 of the notes that are before you.

Mr. MARSHALL. At this point we will have those pages placed in the record.

(Pp. 68–72 follow:)

SELECTED EXAMPLES OF RECENT PROGRESS

1. *Dialdehyde starch gains importance as new industrial raw material.*—Much industrial interest in dialdehyde starch has developed in the past year as a result of continued research on the production and properties of this new raw material. Several applications for license to use three public service patents covering the production process have been received. One of the most promising uses discovered for dialdehyde starch is as a tanning agent for leather. Preliminary experiments indicate that it may be superior to the vegetable tannins which are imported now at the rate of some 240 million pounds annually. Several suppliers of tanning materials have requested samples for evaluation studies. Additional samples have been made available to starch producers and other manufacturers. Evaluation of dialdehyde starch as special paper and textile sizing agents, binders, adhesives, and a variety of other uses is in progress.

2. *Improved wet-milling process designed for wheat flour.*—An improved continuous batter process has been designed for the wet milling of wheat flour into gluten, starch, and soluble fractions. Using simpler equipment and less power and water than the wet-milling processes now in general use, the new technique produces high-quality undenatured gluten and prime-quality starch and recovers the soluble fractions at low cost. Applications of the process to the milling of a variety of flours and ground whole wheats are being studied. Studies on new uses for the soluble fraction are being carried out in cooperation with industry to develop preferred uses for this product.

3. *Wrinkle-resistant, permanently creased, wash-and-wear cotton garments produced in laboratory.*—Research in cooperation with industry and the National Cotton Council has produced cotton shirts and trousers that resist undesirable wrinkles, yet retain desirable creases. They can be washed and spun in an automatic washer and dried in a tumble dryer. These cotton garments are superior in comfort, and equal to or better than most of the wash-and-wear synthetic-fiber garments because they do not require tedious hand laundering followed by drip drying. Cotton garments have been treated with inexpensive and improved commercial resins, and cured in place simply by pressing with an electric iron. Preliminary results show that it is also possible to produce no-muss cotton-dress trousers from resin-treated yard goods. A recuring process allows the wrinkle-resistant cotton to be realined so as to produce creases where desired. The commercial application of this project is aimed particularly at the men's summer-weight dress cotton suits and slacks market—a 173 million square-yard market, of which cotton now holds only 11 percent.

4. *Improved protective treatment developed for cotton awnings.*—Research conducted jointly by the Department and the Canvas Products Association International, has demonstrated that new materials and treatments now available commercially can greatly improve the overall weather resistance of coated cotton awnings. These results should aid the industry in producing more durable canvas goods and awnings. The potential market for awnings, tarpaulins, tentage, field coverings, and beach umbrellas amounts to approximately 200,000 bales of cotton per year.

Specifically, research has shown that treating canvas with urea-formaldehyde resin plus copper-quinolinolate confers greater weather durability than standard commercial awning fabric treatments. Fabrics given the new treatment and coated with formulations based on alkyd-type synthetic resins have retained 92 percent strength after 12 months of weather exposure, while conventional awning fabrics coated with natural drying oil-base formulations retained only 67 percent strength. Furthermore, a fivefold reduction in drying time has been obtained by the use of the alkyd coating resins.

5. *Soybean and linseed oils yield promising new industrial chemicals.*—Vinyl ethers of fatty alcohols and adducts of fatty acids represent two of many possible industrial chemicals that promise to aid our vegetable oil industry in capturing new markets and retaining old ones. The vinyl ethers convert to varnishes which have unusual adherence to metals as well as excellent alkali and water resistance. The adducts are primary softeners for vinyl resins (used for commercial plastics) and can be readily converted to stabilizers for these resins. Industrial evaluation of these two new chemicals is now in progress.

6. *Pine gum industry adopts continuous turpentine still.*—The first continuous still for distillation of pine gum in this country was installed by the industry at the beginning of the 1956 season. Compared with the batch-steam still now in general use in the industry, the major advantages of the new still include lower labor costs and a substantial reduction in steam consumption. With complete instrumental control of the operation, the new still eliminates about 90 percent of the labor required for the batch still. In addition to lowering costs, the continuous still produces rosin of higher grades and more uniform quality. During the past year, the firm using the new still processed an estimated 6 million pounds of pine gum requiring no still operator and used only about one-half the amount of steam required for batch-wise distillation. This resulted in a savings of about $1 per thousand pounds of gum in the cost of distillation.

7. *Production of vinyl stearate means new market for animal fats.*—Large surpluses of inedible animal fats have accumulated because soap, their chief commercial market, has been supplanted in large measure by petroleum-based detergents. Extensive research in cooperation with interested industrial producers has now brought vinyl stearate—a commercially valuable chemical derived from fats—to the plant production stage. One large company has already announced construction of a plant whose initial production will total 2 million pounds of vinyl stearate annually at a selling price of $0.65 per pound. Vinyl stearate can be used in the production of paper coatings, textile finishes, water-repellent vehicles for water base paints, and permanently flexible films; other uses include food packaging, electrical applications, and rigid plastics having improved processing characteristics. Because of its wide applicability in the large existing market for vinyl plastics (500 million pounds per year), the use of vinyl stearate should increase rapidly and provide a substantial outlet for animal fats.

8. *New wool processing treatment imparts acid, alkali resistance.*—Wool is damaged by strong acids and caustics during the dyeing and bleaching operations used to make yarns, and by deodorants and cleaning compounds during the life of woolen garments. A new chemical agent has been discovered and demonstrated on a laboratory scale which makes wool more resistant to the action of compounds encountered in manufacturing and in normal usage. The new treatment is permanent because the treating agent is chemically attached to the wool at the points ordinarily damaged by the acids and caustics. From the consumer's viewpoint the treatment should be especially attractive because it does not impair the water repellence, softness, or strength of the wool.

9. *Treatments to impart "easy care" properties to wool fabrics discovered.*—In the course of an extensive investigation of the effects of chemical treating agents on the properties of wool fiber and fabrics, treatments have been found in the laboratory that impart to wool two of the most important properties that are essential in the production of "easy-care" garments; namely, crease and pleat retention and shrinkage resistance. Work is now in progress to combine the two different kinds of effect in the same fabric, to find chemical treatments that will impart the several other characteristics necessary for "easy care", and to modify processes and treating materials until the highly valued natural properties of wool such as softness and warmth are fully preserved or enhanced.

10. *Commercial use of belt-trough dryer proves successful.* Dehydrated vegetables of superior quality are now being produced in a battery of belt-trough dryers installed in one of the country's newest and most modern dehydration plants. Developed by Department engineers to replace the conventional truck-

and-tray tunnel dehydrator, the belt-trough dryer produces a superior product with less labor required for plant operation and final product inspection. Products from the new dryers are brighter in color, more uniform in appearance, and free of contaminating wood slivers. The dryer installation was described in two recent publications. As a result, many inquiries have been received requesting plans for the dryer. A second commercial installation has been placed in operation recently and other dehydration plant operators have indicated their intention to install the new type dryer.

11. *Dairy waste disposal process adopted commercially.*—The rapid aeration process for disposal of dairy waste developed by the Department has been adopted by some 60 dairies. A large machinery manufacturer is manufacturing entire waste treatment units based on the principles of the process. Commercial adoption of the process will make it possible for dairies, particularly smaller dairies, to dispose of their waste at a lower cost than would otherwise be possible through use of conventional-type disposal plants. This will tend to relieve the pressure on many plants by health authorities to discontinue discharging their wastes into streams because of the polluting effect.

12. *Grinding fresher sugarcane means higher returns for growers and processors.*—Cane left in field rows after curing and burning off the leaves loses both weight and sugar content. A conservative estimate of the loss to growers is $5 per acre for each day of delay in delivering harvested cane to the mills. Juices from samples ground within 24 hours after hand cleaning, within 48 to 72 hours when cleaned by burning, and at successively longer intervals up to 2 weeks after cutting, were analyzed and processed on a pilot plant scale. The results showed losses of about $40 per acre when an average yield of 25 tons of cane was allowed to remain in the field 8–9 days. Publicity given the results of these experiments has resulted in marked improvement in the freshness of cane received by the mills. This research was conducted in cooperation with the Louisiana Agricultural Experiment Station and the American Sugar Cane League.

13. *Improvement in drying process for western rice reduces cost, increases export possibility.*—A new and improved rice drying procedure developed by the Department has been successfully applied on a commercial scale. Two commercial plants which participated in the initial demonstrations now use the new procedure routinely and other plants are following suit. The new procedure eliminates much of the breakage of rice with attendant decrease in value that occurs during the artificial drying procedures conventionally used by the industry. The resulting saving, applied to sales prices, can materially improve the competitive position of western rice in its traditional export markets, and help to reopen important outlets.

Mr. MARSHALL. You may proceed.

PUBLIC PATENTS ISSUED

Dr. IRVING. In prior years your committee has been interested in the patents which are issued as a result of utilization research and development. I have with me for your information, if you care to have it, a list of 68 patents which were issued last calendar year.

Mr. HORAN. They are all public service patents?

Dr. IRVING. Yes, all public service patents.

Mr. MARSHALL. If there is no objection, we will have this list of patents issued to utilization research branches during the calendar year 1957 placed in the record at this point.

(The list of patents follows:)

Patents issued to utilization research branches, calendar year 1957

Patent	Patent No.	Date of issue
Rectifying still	2,776,822	Jan. 8
Enzymic production of dextran of intermediate molecular weights	2,776,925	Do.
The preparation of alpha-ketoglutaric acid by serratia marcescens	2,776,926	Do.
Process of preparing triallyl phosphate-polyhalomethane polymers and process of flameproofing textile therewith	2,778,747	Jan. 22
Procedure for preserving foods	2,780,551	Feb. 5
Dehydration of cooked potato	2,780,552	Do.
Partial acidic hydrolysis of steroidal saponins	2,780,620	Do.
Cotton opener	2,780,839	Feb. 12
Hydrogenolysis of dialdehyde starch to erythritol and ethylene glycol	2,783,283	Feb. 26
Microbial hydrolysis of steroidal saponins	2,784,144	Mar. 5
Agitator for vacuum still	2,784,150	Do.
Improving cottonseed oil while preparing the seed for oil extraction	2,784,205	Do.
Method of preparing precooked puffed brown rice cereal	2,785,070	Mar. 12
Desiccation of liquiform food products	2,785,077	Do.
Partial anzymatic hydrolysis of steroidal saponins	2,785,107	Do.
Synthesis of peptide structures	2,786,049	Mar. 19
Method for control of texture of dehydrated potatoes	2,787,553	Apr. 2
Cottonseed oil color reversion prevention	2,787,625	Do.
Process for purifying tannic acid	2,787,635	Do.
Aerator outlet	2,788,083	Apr. 9
Increasing the flavor and other qualities of food	2,788,281	Do.
Carboxymethyl protein as a stabilizer for a butadiene-styrene latex emulsion	2,788,336	Do.
Method of molding oxystarch	2,788,546	Apr. 16
Desiccant packet	2,789,369	Apr. 23
Process for unhairing of hides	2,791,535	May 7
Process for extracting saponins from plant tissue	2,791,581	Do.
Obtaining pure palmitic acid from vegetable oil acids	2,791,596	Do.
Composition comprising allyl starch and a lower alkyl itaconate	2,794,789	June 4
Internal drum dejuicing press	2,795,184	June 11
Tanning agent and process	2,795,478	Do.
Ethylenimine methylol-phosphorus polymers and process of preparation	2,795,569	Do.
Method of manufacturing cheese	2,796,351	June 18
Hydrogenolysis of dialdehyde starch to erythritol and ethylene glycol	2,796,447	Do.
Electric motor regulator	2,796,572	Do.
Removing cooked tissue from peeled potatoes	2,797,165	June 25
Dehydration of potatoes by use of brine	2,797,166	Do.
Stabilization of oils with B-(carboxymethylmercapto) tricarballyic acid	2,797,231	Do.
Fabric abrader	2,797,574	July 2
Analytical procedure	2,799,823	July 16
Method of purifying phosphatidyl ethanolamine	2,801,255	July 30
Apparatus for producing cyclical temperature variations	2,801,799	Aug. 6
Recovery of sugar from sugar beets	2,801,940	Do.
Process of recovering rice bran wax	2,802,844	Aug. 13
Isolation of araban from sugar beet pulp	2,803,567	Aug. 20
Manufacture of emulsion-type sausages	2,803,547	Do.
Isosapogenins	2,805,221	Sept. 3
Thickness variation measuring device	2,805,449	Sept. 10
Polyethyleneglycols as laundering aids	2,806,001	Do.
Esters of hydroxyalkanesulfonates with alpha-sulfonated long-chain fatty acids	2,806,044	Do.
Stabilization of oil-containing compositions with reductones	2,806,794	Sept. 17
Processing of sugar beets	2,807,560	Sept. 24
Process for protecting wool from yellowing by applying dibutyl butane phosphonate	2,809,131	Oct. 8
Producing phosphorus containing amino resins and flameproofing organic textiles	2,809,941	Oct. 15
Aqueous emulsion-suspension textile treating compositions and processes of treating textiles with same	2,810,701	Oct. 22
Textile fiber cleaning machine	2,810,163	Do.
Dispersing agents for vinylidene chloridealkyl acrylate copolymerization	2,810,715	Do.
Water dispersible solid nitrilo-methylol-phosphorus polymers	2,812,311	Nov. 5
Process of esterifying alkaline earth aconitates	2,813,117	Nov. 12
Calcium salt of condensation product of citric and gluconic acids	2,813,892	Nov. 19
Organic polymeric compositions containing nitrilo methylol-phosphorus polymers and bromine compounds	2,814,573	Nov. 26
Partial acetylation of cotton fibers	2,816,003	Dec. 10
Manufacture of sausages	2,816,035	Do.
Utilization of byproduct potato pieces	2,816,037	Do.
Debittering of citrus fruits	2,816,835	Dec. 17
Preservation of walnuts	2,816,839	Do.
Purification of long-chain fatty acids	2,816,903	Do.
Shrinkproofing of wool with epoxy resins and polyalkyleneimines	2,817,602	Dec. 24
Treatment of beets to release juice	2,818,358	Dec. 31

EXPANSION OF UTILIZATION RESEARCH ON CEREAL CROPS

Dr. IRVING. The first broad area that I would like to review with you is our cereal and forage crops work. In this work, our major aim is to put starch and protein, which are the major components of

cereals, into industrial products and to stem, if we can, the declining use of cereal products in foods.

In both instances, continuation of the same type of vigorous physical and biological research that has characterized the work in our regional laboratories to date is required to understand the composition of these products, the reactions they undergo, and the characteristics of the products that can be achieved through such reaction.

DEVELOPMENT OF DIALDEHYDE STARCH

An accomplishment within the last year that we would like to mention to you first is the development of a product known as dialdehyde starch, a bottle of which I have here before me. This product was mentioned to you last year in these hearings when some of our early work and our expectations were described. Since last year, and with the help of part of the increase of $200,000 that we received in our 1958 appropriations for cereals, we have pursued this work considerably further, and we know considerably more about this product and its promise.

Dialdehyde starch, you may recollect, is a product which is derived by oxidation of starch. Where starch normally has 2 alcohol groups, we have produced 2 aldehyde groups; hence, the name, "dialdehyde starch."

By doing this, we have endowed the starch molecule with brand new properties. It now has two new points of attachment for chemicals which makes it possible for us to add it to itself or to other molecules and produce compounds that are wholly new. We are seeking to evaluate these compounds for their usefulness. But there is one property of dialdehyde starch, not possessed by normal starch, which we already know about, and we are pushing the application of this property as rapidly as we can. That is its ability to tan animal hides to produce leather.

USE OF DIALDEHYDE STARCH FOR TANNING LEATHER

Last year we showed you a piece of calf leather which had been tanned with dialdehyde starch. We want to show you this year a piece of heavy sole leather which has been tanned, using dialdehyde starch plus conventional tanning agents in sequence rather than in mixture.

This piece of leather was tanned first for 2 days with dialdehyde starch solution, followed by 2 days with conventional quebracho and chestnut tannins. In 4 days, this piece of leather has been tanned as well as in the conventional process, which requires 6 weeks.

Now, we know very little about this product as yet other than that it appears to be a good piece of leather and that it can be produced in the manner that I have mentioned, but we plan to explore the process much further, because, if we can tan heavy leather with this product, dialdehyde starch, we might provide a replacement for some 240 million pounds of imported tannin each year.

On the dialdehyde starch development, the Department has 5 patents and 3 applications pending. Three companies are already licensed to produce dialdehyde starch according to our processes. They, too, are seeking, through evaluation of the product, other possible uses that might be developed for dialdehyde starch.

Mr. ANDERSEN. Just one question, please. In terms of agricultural commodities, just what will that mean to agriculture if this process that you have just been discussing will eliminate the importation of the 240 million pounds of tannins, vegetable tannins?

Dr. IRVING. It would mean a use for about 10 million bushels of corn annually.

Mr. ANDERSEN. I would say that would be a very fine accomplishment.

RESEARCH TO PRODUCE RUBBER FROM GRAIN

Dr. IRVING. Another line of work which has progressed well since funds were provided in 1958 has been the search of a means for preparing what has been called microbial rubber, a means for fermenting grains with micro-organisms to produce a natural rubber. We have found organisms that are capable of producing rubberlike substances, using corn or other grains as the substrate. It remains for us to find whether we can improve their ability to produce such rubber in yields that will be attractive. Of course, you know we have no domestic sources of natural rubber.

PRODUCTS FROM WET MILLING OF WHEAT

We have also progressed in another field; namely, the further development of the batter process for wet milling of wheat. We have improved that process so that we not only obtain higher grade starch and higher grade gluten for industrial use, but we have a third fraction in this process which is neither gluten nor starch, called solubles, which also is being explored as a possible new raw material for industrial uses.

In the area of cereal and forage crops, we are requesting increases in the fiscal year 1959 amounting to $1,905,000; $805,000 of this is by internal transfer from the projects that you were discussing just a moment ago.

Of this increase, $1,805,000 will go the northern division at Peoria, Ill.; $100,000 to the western division at Albany, Calif.

Mr. WHITTEN. Dr. Irving, I am on the Defense Committee, and I have been reading the papers, and so many folks say all we need to do is appropriate big sums of money. I am sure that is not what you mean to say. But this involves more than just getting the money out there so laboratory people can have it. I am giving you a chance to tell us the details of how you are going to use it and sell us on the value of it.

Dr. IRVING. I would be glad to, Mr. Chairman.

PROPOSED EXPANSION OF RESEARCH ON DIALDEHYDE STARCH

We would use the money at the northern division for two major purposes, one of which would be designed to develop and further exploit the breakthrough that we have obtained on dialdehyde starch, and the other to take advantage of other starch properties which will make it possible to expand the use of starch in paper products.

Dialdehyde starch is a breakthrough in starch chemistry. We regard it as the most important development in starch chemistry in

quite some time. As we have indicated, this has provided a brand new chemical which, of itself, has some attractive uses, and we wish to fully exploit them. But, through further chemical change, dialdehyde starch can yield still additional compounds which we would also seek to evaluate for industrial use.

The tanning use we have mentioned is but one. Some of the funds that we request in this increase would be used for developmental studies under contract on the use of dialdehyde starch for tanning both calf hides for light leathers and heavy leathers for the production of sole material.

We intend further to have dialdehyde starch evaluated as a plastic ingredient, as a raw material for the preparation of plastics, as an adhesive material, either alone or in combination with other chemicals, and as a binding agent in a variety of industrial products.

We intend to devote some of this increase to the further oxidation of dialdehyde starch to produce a new chemical, which we have in small quantity now, known as dicarboxyl starch. It differs from dialdehyde starch in that it contains 2 acid groups instead of 2 aldehyde groups. It is another brand new chemical with different, new properties which can be used for certain things that starch cannot, and dialdehyde starch cannot, and which can, by further degradation and substitution, produce a new family of candidate compounds for industry.

PERSONNEL PROPOSED UNDER INCREASE FOR CEREALS

Mr. WHITTEN. What personnel do you anticipate using in connection with that? How much of it will be by contract, if any?

Dr. IRVING. About 40 percent of the work of the Northern Division on these increases will be by contract.

Mr. WHITTEN. Do you have any figures on the personnel that will be required, that part that will be scientific and that part that will be otherwise?

Dr. IRVING. I can give you the total personnel increase, Mr. Chairman, both scientific and nonscientific. It is 129 at the Northern Division; 9 at the Western Division. The breakdown we can supply if you wish.

Mr. WHITTEN. We will be glad to have that for the record if it is available.

(The information referred to is as follows:)

Estimated employment under proposed increases for utilization research and development on cereals

	Professional	Subprofessional, craftsman, and clerical	Total
Northern Utilization Division	88	41	129
Western Utilization Division	7	2	9

Mr. WHITTEN. You might proceed unless there are questions at this point.

I am particularly interested in any other increases proposed.

RESEARCH ON USE OF STARCH IN PAPER PRODUCTS

Dr. IRVING. There is just one additional one on cereals that I would like to mention, Mr. Chairman. We would like to devote a portion of the increases requested to further research aimed at placing increased amounts of starch or modified starch in paper products. This is a large use currently for starch. We are confident that if we can endow starch with improved properties with respect to water repellency and surface properties that the expanding paper industry can provide additional markets for starch.

We would seek to do this through chemical modification of the starch, perhaps also with the dialdehyde starch. We feel upon the basis of the research we have done so far that there is a good likelihood that materials compatible with paper and which would endow paper with improved properties can be produced and thus provide outlet for additional amounts of starch.

UTILIZATION RESEARCH ON COTTON

I would like to go next, Mr. Chairman, to the area of cotton and other fibers.

Our objective with cotton, a major surplus crop which is having difficulty in competition with synthetics, is to endow it with additional, attractive, useful properties at attractive price so that cotton can maintain its markets and current outlets and take its share of new markets as needs for apparel and other fabrics expand.

We want to build into cotton, through chemical and physical change, improved qualities at low cost.

We want to preserve the intrinsically good properties that cotton has, improve them, and add still new ones, to give cotton the characteristics that will permit it to compete better with synthetics.

Mr. HORAN. Cotton has a distinct advantage over other fabrics. I am glad to see you doing some work in this. They have allowed the other synthetics to get the jump on them. And it is a real problem. I understand the Cotton Council is helping out in this field too.

Isn't that true?

Dr. IRVING. The Cotton Council is, as they always have been, tremendously interested in furthering research on cotton and encouraging it in industry.

Mr. HORAN. Well, if you can give these valuable properties to cotton, there are certain people, especially those who perspire, who can't use some of the synthetics, not even the mixtures; there is a tremendous market there. There is no question about the fact, Mr. Chairman, that utilization research which appears to be coming of age and which we don't have to wait a generation to see come to fruition may revolutionize things in this particular field.

The trouble with most research is that our grandchildren probably will be the ones that might benefit from it.

USE OF PUBLIC PATENTS

Mr. SANTANGELO. With respect to the patents which you develop, what use do you put them to? Do you circulate them freely or do you charge anyone for the use of them?

Dr. IRVING. The patents that we issue are public property. They are published where those who might use them can learn of them and see whether or not they would like to use them. The procedure in case they do, is to simply write to the Secretary of Agriculture requesting a license to operate under the patent. A license is issued free of charge.

Mr. HORAN. That brings up one of the questions, I will say to our new colleague who is very much interested in this work. That brings up one of the questions that has tormented the rural members of this subcommittee.

So much of our research, especially in this field, becomes the property—and the first beneficiary of it is quite often the processor. Much of our research in marketing helps out in the retail line too.

Off the record.

(Discussion off the record.)

Mr. HORAN. So that is one of the things that does trouble us. Because in this case the first beneficiary is the processor of the material.

In the case here, it would be the textile industry; wouldn't it?

Eventually the cotton farmer is helped.

Dr. IRVING. That is correct, because without the cotton the industry can't apply the discovery.

WASH-AND-WEAR COTTON FABRICS

A contribution that we have made in the past year in cotton is in the area of wash-and-wear, wrinkle-resistant, crease-retaining fabrics. You have heard about this before in previous hearings before this committee. We devoted $100,000 of last year's increase to intensifying work in this field. As a result of our research, which is essentially the applying of various resins to cotton to endow it with wrinkle-resistant, crease-retaining properties, we have found treatments that produce a cotton fabric which can be laundered in mechanical laundering equipment, spun as the conventional laundering equipment does spin it to remove excess water, and then tumble-dried in a mechanical dryer. The garment thus laundered is wrinkle-resistant, retains preformed creases, and is ready to wear. We have done this on a laboratory scale. Garments treated by this process are not available yet commercially, but we feel confident they soon will be.

Lest this whole development seem confusing, and it is wondered why it is difficult to ascribe specific developments in this field to the results of our research, let me say what we have contributed substantially as a result of our research at the Southern Division to the wrinkle-resistant fabrics available on the market today. And there are many. We developed the basic information on what constitutes wrinkle-resistance. We demonstrated by service tests that it was possible to endow cotton fabrics with wrinkle-resistance. We developed the process which overcomes the disadvantage known as "wet soiling," which is the property that some of these plastic or resin treated fabrics have of picking up dirt in a washing machine when they are washed with a soiled, untreated cotton fabric.

Mr. HORAN. Is this done by adding some property, some chemical, to the cloth? Or is it done by a machine which does something to the cloth?

Dr. IRVING. It is done by a chemical which is added to the cloth in the finished garment.

Mr. HORAN. I would like to know the answer to this: I went through one of the block printing shops in Hawaii. I wanted to see how they put all these gaudy and I think rather attractive art designs on cloth. They do it, of course, on a bolt of cloth 180 feet long. And they do it with silk screens. And some have as high as 3 and 4 colors.

It is quite a process. It is a new one, incidentally, in Hawaii. That has only been done in the last 10 years.

But they were putting in a new machine to produce something along this line.

They would treat the cloth, and it wouldn't add anything to it.

Dr. IRVING. I don't know what that machine would be. I know the process being used in this country is a chemical process.

Mr. HORAN. They are additives.

Dr. IRVING. Yes, additives. Sometimes chemicals are added and subsequently heat treated to plasticize or set the material. But they are chemical reactions that are involved, rather than mechanical ones.

WOOL RESEARCH

In our work on wool, which is also under this area of cotton and other fibers, we are attempting to improve the quality and performance of domestic wools, so that this industry, this farming industry, can regain some of its lost markets.

Again we seek to do this by chemical and physical treatments of the wool or combinations of these treatments. You will recollect that last year we had in our 1958 appropriations a $405,000 increase for our wool work in the Western Division; $105,000 of this was to construct a wool pilot plant containing equipment for the processing of wool, scouring, spinning, weaving, finishing, so that we would have a pilot plant in which we could study wool processing in all of its phases.

The remaining $300,000 was for the purchase of equipment for this plant. The equipment is being accumulated. The plans for the plant have been completed. We are expecting to advertise for bids soon. The plant will be completed sometime after the 1st of July of this year.

We might discuss the increases on both cotton and wool.

We are requesting in this budget an increase of $800,000 for research on cotton at the southern division and $200,000 for research on wool at the western division.

PERSONNEL PROPOSED UNDER INCREASE FOR COTTON AND WOOL

Mr. WHITTEN. How many people are involved in that, now?

Dr. IRVING. The total increase of personnel on cotton would be 104; on wool 17.

Mr. WHITTEN. Could you break that down in the record by how many scientific and how many other?

Dr. IRVING. I will be glad to.

(The information referred to is as follows:)

Estimated employment under proposed increases for utilization research and development on cotton and other fibers

	Professional	Subprofessional, craftsman and clerical	Total
Cotton: Southern utilization division	89	15	104
Wool: Western utilization division	10	7	17

USE OF INCREASE FOR RESEARCH ON COTTON

Dr. IRVING. With this increase on cotton we would seek to intensify our currently promising lines of work and initiate new ones to impart new and improved properties to cotton fiber, yarn, and fabrics.

Among the properties that are required or are desired by processors and also by consumers in cotton fabrics are such properties as wrinkle-, wear-, weather-, rot-, flame-, and, abrasion-resistance, water repellency or water absorption depending upon the use, resiliency of the fabric or fiber, luster, drape, strength, elasticity, and all attractive combinations of these properties. We would seek to improve those that cotton has and to impart those which it does not have at attractive prices.

Among the things that we seek to improve—and we have enough information to know that we are likely to succeed—is improved elasticity of cotton. This is an important property that can be improved and help keep cotton in apparel markets.

We want to improve the stretch characteristics of cotton fibers and cotton yarns. This bears upon a point mentioned a moment ago. A good many knit fabrics, most of them as a matter of fact, are blends of cotton and synthetics. The synthetics, of course, would seek to take more and more of such a market. We can, by imparting more stretch to cotton yarn, maintain cotton and perhaps improve it in that market, which accounts for about 500,000 bales of cotton annually.

We want to endow cotton with creping properties. This is a property possessed by silk and by rayon. It is a property which is brought about by swelling the fiber by wetting, twisting the swollen fiber and then relaxing the twist to give the crepe effect.

We believe we have treatments now which can be developed to make crepe effects in cotton.

Mr. HORAN. How would that differ from seersucker?

Dr. IRVING. Seersucker, I believe, is in the weave, in the processing. I am not sure of that, but I believe it is.

We would also, with this requested increase on cotton intensify our systematic study of the processing of these new fibers

By "new" fibers we mean those modified by the chemical treatments that we are developing, and that the industry may be applying. We want to be in position to provide the mills with the data that they need in order to make the optimum fabrics out of the new cottons that may be supplied them.

In other words, we wish to provide the mills with data similar to that which industry is providing them for the synthetic fibers they produce.

We would seek to improve the spinning efficiency of cotton by a systematic study of the correlation between fiber properties and yarn and fabric properties. At present, very few of the things that we know about cotton are used in selecting cotton for end uses. We

know that we can measure not only staple length but length distribution, fineness, maturity of the fiber and other factors which we know influence the quality of the fabric produced.

We would seek to develop, through our processing studies, means for adding to the information we could furnish the mills, bases for selection that depend upon more fiber properties than are currently used.

EXPANSION OF RESEARCH ON WOOL

In the case of wool, the increase would be devoted to using the pilot plant that will be ready in fiscal year 1959, to do a systematic study of the effect of genetic, environmental and dietary factors upon the quality of the fabrics produced from domestic wools and to determine the effect of processing variables upon improving the quality of the fabrics produced.

And we would, of course, use this pilot plant to evaluate the processing properties of new, chemically treated wools that we would be developing in an attempt to endow wool with better quality factors and better performance as a fabric.

I have here something which I would like to show you just to indicate the chemical complexity of the resins and polymers used in the treatment of cotton and wool fabrics. There are so many chemicals now being used and developed to be used for improving cotton and other fabrics that for our own advisers we are forced to prepare reports which contain a glossary of terms giving the chemical formulas and the names of many of the substances.

It is a tremendously complex field. There are literally thousands of chemicals that have possibilities for use in this field now that the basic techniques have been developed.

FRUITS AND VEGETABLES

In the field of fruits and vegetables, which is the next area, our objective in our research is to make processed fruit and vegetable products more uniform, more stable, more convenient to use and to market, and to lower the cost of producing these better quality products. Fruits and vegetables are perishable commodities, and they are frequently in surplus.

Our research centers around the problems associated with deficiencies that now exist with respect to processed products and to develop new processed products for the fruits and vegetables farmers produce.

We have accomplished a lot in recent years in one most important field—what we have called the time-temperature tolerance of frozen foods.

Dr. Hilbert mentioned this to you last year. Since that time we have progressed considerably.

Mr. HORAN. Where are you doing that work?

Dr. IRVING. In the western division.

This work has involved the systematic and vigorous study of the effects of the temperature changes that occur during the processing, storage, transport, warehousing, wholesaling, and retailing of frozen fruits and vegetables upon the quality of the products as the consumer gets them.

The results have indicated that small temperature rises even for relatively short periods of time can so detract from the quality of a frozen product that it becomes less nutritious, less palatable, and hence less attractive than these products should be and can be. This information has been communicated to the industry. As a matter of fact, an industry committee has been formed, at their own suggestion, including the frozen food processors, the truckers, the warehousemen, the wholesalers, and the retailers as well as one representative from our own organization, to carry the information that has been obtained in these studies to all of those who are concerned with the frozen-food industry.

We are confident that this will be a big step forward in improving the quality of frozen products; hence, the demand for them.

INDUSTRY CONTRIBUTION TO RESEARCH WORK

Mr. WHITTEN. A few years ago this committee wrote a provision whereby the forestry research could work out cooperative projects with industry.

In other words, the Federal Government arranged for industries through cooperative agreements to put up some of the money for the work.

Later the legislative committee passed a bill embodying the provision that we had already written into the law along the same lines. I would like to know if there is such authority for the operations of your department. I seriously think that one of the problems in research is trying to get results for the dollar and for the work.

Of course, I realize that it is a long-range thing, many times. As I tried to point out to industry, instead of coming to the Congress trying to get more and more money, their contributions to research in connection with their own business are a tax reduction in the running of their business.

If they put up the money they in turn would naturally have closer contact with you as to what should be done. And with that cooperative effort, with all due deference to anybody in your field of work, I wonder if the action wouldn't be more pinpointed to the problem if you had that.

Dr. SHAW. We do have such authority to have industry make contributions for cooperative work. Some of that is being done at the present time, the industry paying for the employees that are stationed in our laboratory working along with our folks. And they are supervised by the industry too. We operate under a cooperative agreement that we work out with the industrial group to promote a particular activity.

I suppose we have some of those industrial people at every laboratory; do we not, Dr. Irving?

Dr. IRVING. We do.

Mr. WHITTEN. I wish you would give us the full story as to how the cooperative agreement is arranged, how the projects are selected, and things of that sort.

Dr. SHAW. Very well.

(The information referred to is as follows:)

Department Cooperation in Utilization Research and Development With Industry, Trade Associations, State Agricultural Experiment Stations, and Other Educational Institutions

Cooperation between the four utilization research and development divisions and industry has been aided by the organization of technical committees from industry which meet with the Department research workers to select projects for research in fields of mutual interest. This system has been used quite effectively to promote industrial interest in the Department research on grains, fibers, fats and oils, fruits, vegetables, and sugar crops. For example, the technical committee of the National Cottonseed Producers Association has met regularly for many years with the cottonseed research staff of the Southern Utilization Research and Development Division to select projects for research to develop new and improved uses for cottonseed products.

In a number of instances, an industrial committee or trade organization has paid the salaries of fellows who work in the Department laboratories on problems of interest to the industrial group concerned. A list of such fellows is as follows:

	Number
American Spice Trade Association	2
Association of American Soap and Glycerine Producers	2
Canvas Products Association International	1
Cigar Manufacturers Association of America	1
Corn Industries Research Foundation	1
Date Administrative Committee	1
Diamond Walnut Growers, Inc	2
Lemon Products Advisory Board	2
National Candy Association	1
National Cottonseed Producers Association	3
National Renderers Association	4
Tung Research League	1

There are also numerous formal and informal cooperative arrangements with trade associations and with individual industrial firms which involve expenditures by both parties for research on problems of mutual interest. A listing follows:

	Project
American Cyanamid Co., Valdosta, Ga.	Evaluating certain selected rosin acids and rosin derivatives such as paper size.
American Dehydrators Association, Chicago, Ill.	Investigation on toxicity of carotene stabilizing agents.
American Spice Trade Association, Rochester, N. Y.	Chemical investigations on the composition of spices.
Anderson Clayton & Co., Houston, Tex.	Investigations of nutritional values of cottonseed meal and color of oil processed by new methods.
Anderson Clayton & Co., fiber and spinning laboratory, Houston, Tex.	Investigations to determine the relationship between fiber fineness (micronaire) and fabric takeup in weaving and in standard chemical finishing operations.
Apple Growers' Association, Hood River, Oreg.	Investigations on process for recovery of soluble solids from pear cannery wastes.
Association of American Soap and Glycerine Producers, Inc., New York, N. Y.	Investigations on glyceride fats and oils and fatty-acid derivatives thereof.
Archer-Daniels-Midland Co., Minneapolis, Minn.	Polyvinyl ether surface coatings.
Armstrong Tire & Rubber Co., Natchez, Miss.	Investigations on cotton tire cord.
Baker Castor Oil Co., Bayonne, N. J	Evaluation for commercial adaptation of pilot-plant scale process using continuous filtration for solvent extraction of castor beans.
Beet Sugar Development Foundation, Fort Collins, Colo.	Investigations of the composition of sugar beets and improvement in beet technology.

	Project
Blaw-Knox Construction Co., Pittsburgh, Pa.	Evaluation for commercial adaptation of a pilot-plant scale process for the solvent-extraction of cottonseed.
Bisbee Linseed Co., Inc., Chicago Heights, Ill.	Studies on filtration-extraction process for cottonseed, rice, etc.
Bush Berry Advisory Board, Merced, Calif.	Investigations on the utilization of boysenberries.
California Cooperative Rice Research Foundation, Biggs, Calif.	Investigations on storage of dried rough (paddy) rice.
Canvas Products Association International, St. Paul, Minn.	Development of better cotton canvas and sewing thread and of better treatments for weatherproofing and mildewproofing of cotton awnings, tents, and tarpaulins.
Charles F. Cates & Sons, Inc., Faison, N. C.	Investigations in improving methods of curing and processing of pickles.
C. H. Masland & Sons, Carlisle, Pa.	Testing and evaluation of experimental cotton carpet cleaning equipment.
Corn Industries Research Foundation, Inc., Washington, D. C.	Conduct investigations to obtain basic information on the chemistry of corn.
Dawes Manufacturing Co., Chicago, Ill.	Investigation of commercial manufacturing processes for products containing vitamin B12 and growth-stimulating antibiotics.
Date Administrative Committee, Indio, Calif.	Investigations of chemical composition of dates and date products.
Desert Grapefruit Industry Committee, Inc., Phoenix, Ariz.	Investigations on citrus products.
Diamond Walnut Growers, Inc., Stockton, Calif.	Investigations on the preservation of shelled walnuts.
Doughnut Corporation of America, New York, N. Y.	Production of wheat-flour solubles for fermentation nutrients or other potential large-scale uses.
Do	Bread softeners in baked sweet goods.
Glutamate Manufacturers Technical Committee, Phoenix, Ariz.	The evaluation of monosodium glutamate as a food-flavor adjunct and as a possible flavor-stabilizing agent in stored products.
Helena Cotton Oil Co., Helena, Ark.	Investigations in the extraction process for cottonseed to produce a higher quality of oil, etc.
Institute of American Poultry Industries, Chicago, Ill.	Investigations on processing and storage of poultry and egg products.
Johnson & Johnson, Chicago, Ill.	Investigation on the development of a continuous stripper for the cotton textile card.
Kern County Potato Growers Association, Bakersfield, Calif.	Investigations of the processing characteristics of potatoes of low and medium solids content for conversion to potato granules, and of the quality and storage stability of the product, in order to expand and stabilize the market for potatoes of these types.
Lane Cotton Mills, New Orleans, La.	Investigation on the development of a continuous stripper for the cotton textile card.
Lemon Products Advisory Board, Los Angeles, Calif.	Investigations of chemistry of lemon oils and juices.
Lima Bean Advisory Board, Los Angeles, Calif.	Investigations of chemical composition of dry lima beans.
Mississippi Cottonseed Products Co., Jackson, Miss.	Development of pilot plant scale process for the solvent extraction of cottonseed, etc.
National Apple Institute, Washington, D. C.	Packing of apple juice.

	Project
National Confectioners Association, Chicago, Ill.	Cooperative investigations on utilization of agricultural products in confectionery.
National Cottonseed Products Association, Memphis, Tenn.	Cooperative investigations relating to cottonseed and cottonseed products.
National Dairy Research Laboratories, Inc., Oakdale, N. Y.	Evaluation of egg white fermentation process under pilot plant conditions.
National Institute of Rug Cleaning, Inc., Silver Spring, Md.	Testing and evaluation of experimental cotton carpet cleaning equipment.
National Renderers Association, Washington, D. C.	Investigations on inedible animal fats and derivatives thereof.
National Renderers Association, Chicago, Ill.	Investigations on utilization of animal proteins (meat scrap and tankage).
Newton Co., Inc., Lake City, Fla	Conduct of experiments and investigations in improving methods and equipment used in naval stores.
New Orleans Pirates, Inc., New Orleans, La.	Investigations on the development and utilization of high-density cotton fabrics.
Osecola Products Co., Osceola, Ark	Investigations for improvements in the flake preparation and solvent extraction process for cottonseed, etc.
Philadelphia Textile Institute, Philadelphia, Pa.	Investigations on the development of a loom attachment to enable weaving high-density cotton fabrics.
Poultry Producers of Central California, Petaluma, Calif.	Investigations on application of antioxidants to alfalfa.
Red Dot Foods, Inc., Madison, Wis	Evaluation on plant scale of various units of commercial equipment in the development of an integrated process for the preliminary steps of washing, sorting, trimming, and peeling potatoes in the production of chips.
Refrigeration Research Foundation, Colorado Springs, Colo.	Development of improved procedures for the freezing and freezer storing of meat.
Refrigeration Research Foundation, Inc., Colorado Springs, Colo.	Investigations on frozen preservation of fruits, vegetables, poultry and egg products, cereal crops, and other agricultural commodities.
Rogers Bros. Seed Co., Idaho Falls, Idaho.	Investigation of the applicability under plant conditions of a Government-designed and developed belt-trough drier for use in the predrying of potato dice prior to complete dehydration.
Rio Farms, Inc., Edcouch, Tex	Research work on citrus products and byproducts and preservation of fruits and vegetables.
Standard Oil Co., Chicago, Ill	Investigations on the use of soypoly acid–10 oils.
Sugar Research Foundation, Inc., New York, N. Y.	Utilization of sucrose and byproducts in connection with the development of wider uses for these materials.
Tears Engineers, Dallas, Tex	Evaluation for commercial adaptation of a pilot-plant-scale process using continuous filtration as the major operation or modification thereof for the solvent extraction of cottonseed, or other oleaginous materials.
Texas Rice Improvement Association, College Station, Tex.	Cooperation on research programs for rice and forage crops.
The American Sugar Cane League of the U. S. A., Inc., New Orleans, La.	Investigations on sugarcane.
The Bauer Brothers Co., Springfield, Ohio.	Development of new and improved methods and equipment for cleaning cottonseed.

	Project
Texsum Citrus Exchange, Weslaco, Tex.	To develop commercially feasible methods for processing Texas pink and red grapefruit which will retain the desirable color and flavor of these fruits and avoid undesirable changes during processing and storage; and with particular attention to their use in single-strength canned juice.
Tung Research & Development League, Poplarville, Miss.	Investigations on the development of new and improved surface coatings utilizing tung oil, tung oil fatty acids, or other derivatives of tung oil and such other resins, oils, or additives as may be necessary to achieve the desired properties.
Washington State Fruit Commission, Yakima, Wash.	Utilization of fruits of the Northwest.
Western Cottonoil Co., Abilene, Tex.	Investigations of nutritional value of cottonseed meal processed by new and improved methods.
Wurster & Sanger, Inc., Chicago, Ill.	Evaluation for commercial adaptation of a pilot-plant-scale process using continuous filtration.
Wine Institute, San Francisco, Calif.	Investigations on utilization of viniferous grapes.

In addition, contracts have also been entered into with some industrial firms to facilitate the commercial adoption of new research developments.

Cooperation with the State organizations in the field of utilization research and development is fostered in a number of different ways. Each of the four divisions has a formal memorandum of understanding with the State experiment stations of the region it serves. This agreement provides for periodic meetings of the State experiment station directors at the Department's regional laboratories, and the appointment of collaborators from each of the State stations in the region. These collaborators meet annually at the regional laboratories to discuss problems of mutual interest.

The Utilization Divisions also enter into cooperative agreements with individual State stations for the mutual conduct of research on specific projects. Finally, the Utilization Divisions enter into contracts with State stations to finance a specific line of research.

A list of the State and other educational institutions with which cooperative work is underway follows:

	Project
Arkansas:	
State Agricultural Experiment Station, Fayetteville, Ark.	Development of methods of harvesting, processing, etc., of rice.
Do	Nutritional values of cottonseed meal.
California: Institute of Technology, Pasadena, Calif.	Investigations on structures of egg protein lysozyme.
Colorado:	
State Agricultural Experiment Station, Fort Collins, Colo.	Evaluating certain selected rosin acids and rosin derivatives such as paper size.
Do	Investigations on freezing preservation of fruits, vegetables, poultry, and poultry products.
Florida: State Agricultural Experiment Station, Gainesville, Fla.	Investigation on nutritional value of cottonseed meal.
Idaho: State Agricultural Experiment Station, University of Idaho, Moscow, Idaho.	Development of new products and by-products of fruits and vegetables.
Illinois: State Agricultural Experiment Station, Urbana, Ill.	Investigations on artificially dried shelled corn.
Kansas: Kansas State College, Manhattan, Kans.	Conduct of basic research and coordinated studies of milk fractions prepared by ultracentrifuging.

	Project
Kentucky: State Agricultural Experiment Station, Lexington, Ky.	Investigations to develop data that can be used for the chemical evaluation of domestic tobaccos.
Louisiana:	
State Agricultrual Experiment Station, Baton Rouge, La.	Cooperative research in determining processing characteristics of new varieties of sugarcane.
Do	Development of methods of harvesting, processing, etc., of rice.
Department of Psychiatry, School of Medicine, Tulane University, New Orleans, La.	Preparation of protein fraction from brains of cows.
Maine: State Agricultural Experiment Station, Maine Potato Commission, Maine State Department of Agriculture, Orono, Maine.	Market test of potato flakes, a new form of dehydrated mashed potatoes.
Michigan: Michigan College of Mining and Technology, Houghton, Mich.	Investigations on the effect of tannin content of hemlock bark of girdling trees, and girdling and treating with sodium arsenite.
Mississippi: State Agricultural Experiment Station, Poplarville, Miss.	Investigations on cottonseed, peanuts, and other oilseeds of the South.
New York: State Agricultural Experiment Station, Geneva, N. Y.	Investigations on the effect of various processing methods for the production of tomato juice on the physical nature of the comminuted tomato juices.
North Carolina:	
State College, Raleigh, N. C	Development of a loom attachment to enable weaving high density cotton fabrics.
State Agricultural Experiment Station, Raleigh, N. C.	Food preservation studies and related problems.
Vocational Textile School, Belmont, N. C.	Investigations on the development of a loom attachment to enable weaving high density cotton fabrics.
Ohio: State Agricultural Experiment Station, Columbus, Ohio.	Cooperative chemical analyses of cheddar cheese for components that may be related to its desired characteristic flavor.
Oregon: State Agricultural Experiment Station, Oregon State College, Corvallis, Oreg.	Investigations on utilization of fruits and vegetables.
South Carolina:	
State Agricultural Experiment Station, Clemson, S. C.	Investigations of nutritional values of cottonseed meal processed by new and improved methods.
Clemson College, Clemson, S. C	Development of a loom attachment to enable weaving high-density cotton fabrics.
Texas:	
State Agricultural Experiment Station, College Station, Tex.	Cooperation on research programs for rice and forage crops.
Do	Development of methods of harvesting, processing, etc., of rice.
Do	Research work on various citrus products and byproducts.
Do	Investigations of nutritional values of cottonseed meal processed by new and improved methods.
Utah: State Agricultural Experiment Station, Utah State Agricultural College, Logan, Utah.	Preparation and utilization of fruits, vegetables, and poultry products.

	Project
Washington:	
State Agricultural Experiment Station, State College of Washington, Pullman, Wash.	Processing and utilization of agricultural commodities of the Pacific Northwest.
University of Washington, Seattle, Wash.	Chemical and microbiological researches on preservation and utilization of fruits and vegetables.
State experiment stations: Northern, eastern, southern, and western regions.	Consultation and discussion in matters pertaining to the policy and administration of utilization research and development.

There is also cooperation with other agencies of the Department such as the Federal Extension Service, Agricultural Marketing Service, and the Forest Service.

Mr. WHITTEN. You might proceed.

BELT-TROUGH DRYER FOR FRUITS AND VEGETABLES

Dr. IRVING. I have an example of another development in the fruit and vegetable field in which I am sure you will be interested.

This is the development of a piece of equipment which is known as the belt-trough dryer, a development of the engineers at the Western Division. It is a development resulting from work done cooperatively with a company on the west coast.

This company now has an installation of six of these commercial units which they are now using. The advantage of the dryer is that it, in replacing truck tunnel type dryers, will give a more efficient, more rapid operation, and better quality end product in color and uniformity.

The machine employs a continuous stainless-steel belt, with a trough. It is capable of continuous operation yielding a product free of contaminating wood slivers which occurred in the previous operation. It is much more efficient, labor costs are lower, and we figure it is a much better piece of equipment for preparing dried carrots, celery, and other cut vegetables than previously available; and a necessary piece of equipment if the development of dehydro-frozen foods is going to progress.

STABILIZING SHELLED WALNUTS

A part of the increase which came to us in 1958 also went into another project, namely, one on stabilizing shelled walnuts, a cooperative project with industry where we have succeeded in developing a process whereby shelled walnuts can be stabilized for as long as a year at 70° by certain treatments.

The key to this situation was the discovery that shelled walnuts are most stable at 3½ percent moisture content. They are less stable at lower moisture; less stable at higher. Three and one-half is a critical moisture percentage.

After that discovery was made then it was a relatively simple matter to package these walnuts in film to filter out ultraviolet light which hastens development of rancidity, to add antioxidant, and nitrogen pack then to produce a stable product. This has been adopted by industry.

Mr. HORAN. Does it keep the weevils out of it?

Dr. IRVING. Yes.

USE OF PROPOSED INCREASE FOR FRUITS AND VEGETABLES

The requested increase in the area of fruits and vegetables amounts to $250,000 of which $160,000 would be devoted to research on fruit; $90,000 to research on vegetables.

With these increases attention would be devoted to dried fruit products that are in chronic surplus and to intensifying our study of biochemistry of the processes of removing moisture when drying fruits. An important area in this is color. We know very little about the pigments of fruits and what happens during the drying of them. Yet nothing makes a dried product more unattractive than a disagreeable looking color. So we intend to devote a part of our research to the pigments of fruits, and what happens to them during the drying process.

Mr. HORAN. Are you going to improve on the sulfur fumes they use now?

Dr. IRVING. That is a part of our study; to improve the processes so that we can avoid things that have been contributing to inferior products to date.

Dr. IRVING. We are also going to study with this increase the protein composition of dried beans, another surplus crop. You will recall that last year we received an increase to study the carbohydrates of dried beans. That, together with the increase requested this year would make it possible for us to learn more about the composition of this surplus vegetable commodity and hence to point the way to better food products or other uses for dried beans.

Another part of the increase we are requesting, about $50,000 of it, as a matter of fact, would go to our Fruit and Vegetable Laboratory, at Winter Haven, Fla., which is being constructed and we expect will be completed in August, 1958.

Funds for this, you will recall, were provided as an increase item in fiscal year 1957. Construction was started during the last year and the building is expected to be dedicated in August.

The work there will be concentrated on finding new uses for grapefruit, a problem which is quite serious in the southern part of the United States.

OILSEEDS

In the area of oilseeds, we have requested in the 1959 Budget, an increase of $1,100,000 of which $450,000 would be for soybean and flaxseed; $250,000 for studies on castor oil, cottonseed and peanuts; and $400,000 for safflower.

We would intensify our researches to find chemical derivatives of the oils of these particular crops that would give them advantages in industrial products such as plastics, coatings, films, lacquers, and the like. This is a field which has been entered in considerable measure by industry with petroleum-based products, and it is a field in which we seek to maintain such agricultural crops as soybean and linseed and to build new markets for such crops as safflower and castor.

DEVELOPMENT OF COATING TO MAKE METALS RESISTANT TO CORROSION

Just as one brief example of what can be done, and the outlook for it, I have here a bottle of a substance identified as vinyl ether polymer of soybean and linseed fatty acids. This is a chemical

derivative, made by a complex but reasonably inexpensive process, which yields a substance which can be used to coat metal such as is used in tin cans. It gives a coating which is resistant to corrosion, as can be seen by this can, which has been dipped in copper sulfate solution. The bottom of the can, which has been coated with the new product is not tarnished, and contains no pinholes or breaks, while the uncoated part of the can is corroded.

This new coating adheres very well to metal. It also is acid and alkali resistant.

So we believe that this particular coating has wide possibilities in metal finishing, in cans for detergents, and possibly eventually even in cans for food.

This coating has a further advantage in that it is flexible. The can bottom in this exhibit was crimped on to the can after the coating was applied. As you can see there is no break in the coating. So that parts could be finished with this material prior to fabrication or die pressing into the final item.

FOAM MATERIAL DEVELOPED FROM CASTOR OIL

We intend to explore a new development in the castor oil field—the production of foamed plastics where castor oil can be made into very light structural or insulating materials such as this that I have in my hand, or into spongy, rubberlike materials, such as this sample. The character of the product can be varied depending upon the amount of castor oil used. The outlook for uses for such materials, which can be foamed in place, is considered to be promising.

SAFFLOWER OIL

In the safflower oil field we would plan to start an intensive program on the processing of safflower to seed oil and meal to see if we can reduce the amount of hull in the meal.

The safflower crop would provide feed protein as do some of the other oilseeds, and we are in need of feed protein. Reducing the hull content would improve it.

NEW PLANTS

Turning now to the item on new plants, the increase of $250,000 would be devoted to expanding our base of operations on the screening of new plants at the Northern Division by $150,000, and $100,000 would be used in the Western Division to initiate a program of developing industrial chemicals based upon sucrose, the sugar from sugar beets.

The work in the Northern Division on screening new plants is progressing. We have an efficient program there, coordinated with the Crops Research Division, which is helping us by finding promising plants and providing us with data on where these plants can be grown, their likelihood of yield, and other agronomic properties.

This program at the Northern Division illustrates why, in the new crop field, a coordinated effort between production and utilization research scientists is essential if we are to develop new crops.

I have here a sample case of 50 seed samples of some of the crops that have been screened at the Northern Division. Along the top of the case are given figures to indicate the range of oil content for the samples under them. Just as points of reference, soy beans contain on the order of 3 percent oil; cottonseed a little more; peanuts around 40 percent; castor around 50 percent.

So that you can see that some of these new crop seeds have oil contents which even exceed some of our present domestic crops.

We know very little as yet about these samples that I am showing you here, but in our programs we are every day finding more about them. We are concentrating on those seeds that look like promising sources of new materials to find out what useful properties these materials may possess that we may look toward new industrial outlets for these crops.

POULTRY, DAIRY, AND ANIMAL PRODUCTS

In the area of poultry, dairy, and animal products, the increase of $900,000 will be used as follows: $500,000 to milk; $250,000 to animal fats; $50,000 to leather; $100,000 to meat.

All of this work would be done at the Eastern Division, Philadelphia. Our objective in the milk program is to perfect a process for the production of a stable, dry, whole milk powder that will be readily reconstitutable to beverage milk. Our progress on this to date has been excellent. We have in the laboratory a product, made batchwise, which has the full flavor of fresh milk, when reconstituted. It can be reconstituted with cold water. It, however, has the disadvantage that on storage it develops off-flavors in a matter of 9 months at refrigerator temperatures, 3 months at room temperature. We believe that this product can be produced in a continuous operation. We believe that the product can be improved by improving its stability. We intend to increase our effort in this field by the $500,000 mentioned to achieve both of these objectives.

This research will entail attention to the myriad biochemical problems that are involved in taking water from the complex mixture that is milk. Milk consists, as you know, of sugar, fat, protein, enzymes, minerals—many things—all of which are capable of interacting and are responsible for flavor changes and for the failure of the present product to be as stable as we would like to have it.

ANIMAL FATS

In the animal fat field, we intend to devote the requested increase to further exploration of possibilities for placing animal fats in industrial products. We intend to make derivatives of animal fats which may be capable of formation into bar soaps.

We intend to explore the possibilities of making foamed plastic products out of animal fats, and to make phosphorous derivatives of animal fats which can find their place as lubricants.

MEATS

In the meats field we intend to devote the increase to a systematic study, a time-temperature-tolerance study, of frozen meat. There are good indications that there would be advantages in the freezing of

meat by the initial processors. It would make possible the marketing of carcass parts instead of sides. And it would permit the marketing of meat products over a longer priod of time. We don't know much about the changes that take place in meat during long periods of frozen storage. We intend to find out.

HIDES AND LEATHERS

Finally, with the increase requested for hides and leather we intend to continue and intensify our research on the basic chemical properties of hides, another very complex biochemical system. We will determine the nature of the proteins and other components of hides, and how they react to tanning agents, so that we can shorten and cheapen the process of converting animal hides to leather and make possible the use of more surplus hides.

That completes my statement, Mr. Chairman, on the increases for utilization research and development.

IMPORTANT RECENT ACCOMPLISHMENTS

Mr. NATCHER. Your section has many accomplishments to its credit. I think that all of you people are doing fine work. Since your appearance before the committee last year, name 2 of 3 of the most important accomplishments of your section.

Dr. IRVING. I think one we have already discussed is in this category, namely, wash-and-wear cotton fabrics. I think it is one of our most important contributions to a most important surplus crop.

Mr. NATCHER. Is this one of your accomplishments during the past fiscal year? This is one of last year's projects.

Dr. IRVING. Yes.

Mr. NATCHER. Now, since your appearance last time. Your new projects and your new accomplishments.

DEVELOPMENT OF VINYL STEARATE FROM ANIMAL FATS

Dr. IRVING. The development of vinyl stearate, a chemical derived from animal fats, culminated in the past year and is now in commercial production at a level of about 2 million pounds per year. This is a plastic ingredient and softener, which can be used with the vinyl plastics. Some 500 million pounds of vinyls are used a year, and the market is still growing. It is believed that the use of this product, which would involve the use of some 3 million pounds of fat, will increase with that expanding market.

DEVELOPMENT OF CATALYST FOR USE IN PRODUCTION OF SYNTHETIC RUBBER

The hydroperoxide of pinane, which we developed from chemicals contained in naval stores, is now being used as a catalyst for the production of cold process synthetic rubber.

COTTON OPENER-CLEANER

Another development has been the wider acceptance of the cotton opener-cleaner which was developed at the Southern Division. More mills are now using this opener-cleaner.

The time-temperature-tolerance studies which I have mentioned, culminated in the past year, or at least the extension of these results to the industry has taken place in the last year.

Mr. NATCHER. I think, Dr. Irving, that utilization research is one of our important fields today. And I know that you recognize full well the importance that private industry is giving to this field. According to my information they are spending as much as 5 percent of their gross income for utilization research.

And I do not think the amounts that have been expended heretofore have been excessive by any means as far as agriculture is concerned. I am very much interested in the different projects that you enumerated, Dr. Irving. I was just wondering if any utilization work has been done with that commodity that pays the Federal Government, the States, and the local communities over $2 million a year in taxes?

TOBACCO UTILIZATION RESEARCH

Dr. IRVING. I will be glad to tell you what we have been doing on tobacco.

Mr. NATCHER. Just briefly I would like to hear a short statement about that. Go right ahead, Doctor.

Dr. IRVING. In our utilization research on tobacco, being conducted at the Eastern Division, we are making progress on the identification of the components of tobacco and tobacco smoke. This program at this stage, as you perhaps recollect from last year's discussion, is to seek knowledge, to find out what tobacco contains, so that we can tell better how we can alter tobacco if we need to in order to make it better satisfy the current requirements.

These studies are going to take some time. But they will be basic studies, and will be useful to applied researchers and for any others who are interested in furthering the development of tobacco. We might mention that we have cooperated with the Commodity Stabilization Service of the Department and the University of Kentucky and the Kentucky Agricultural Experiment Station in the past year in developing methods to help the Commodity Stabilization Service distinguish between certain grades of tobacco that are purchased, so that the higher grades would be recognized as higher grades, and the lower grades as lower grades.

This distinction was made on the basis of analyses done cooperatively between the experiment station and ourselves and I think it is working successfully.

Mr. MARSHALL. Mr. Horan?

COOPERATION WITH EXPERIMENT STATIONS

Mr. HORAN. I understand we are going to try and complete the testimony today. I wish you would supply for the record the procedures you follow in coordinating your work with industry experiment stations of their own and a statement on the cooperation between all of our experiment stations.

I understand the sugar industry in Hawaii had a completely successful industry experiment station, about $2 million a year, or thereabouts. And they assured me there was cooperation. But there is no Federal employees so far as I know there.

Dr. SHAW. We have some cooperative employees there. My nephew is a cooperative employee between the Hawaiian Sugar Planters Association and the Sugar Division at Beltsville.

Mr. HORAN. You can supply that for the record?

Dr. IRVING. We will be glad to do that and include it with the insertion which was just requested by the chairman.

(The information requested appears on p. 546.)

Mr. HORAN. That is all, Mr. Chairman.

Mr. MARSHALL. Thank you, Dr. Irving. It is always interesting to hear from you and review the work you are doing in utilization research.

At this time the committee will hear from Dr. Stiebeling in connection with home economics. The committee always looks forward to your discussion.

Dr. STIEBELING. I shall speak to you instead of following my prepared statement.

Mr. MARSHALL. Proceed any way you wish.

HOME ECONOMICS RESEARCH

Dr. STIEBELING. Your committee, Mr. Chairman, is well acquainted with the general character of our work in the three research divisions that are administratively organized under "Home Economics." We undertake studies on the relative utility and economy of agricultural products for food and fabric in the home, and economic studies, including housing, which have for their purpose the improvement of the rural home. The 1959 budget, as you have noted, carries no increase for this research over 1958; and the appropriation for 1958, except for the increases in Federal Government's share of the retirement costs, carried no increase over 1957. Our research activities are summarized, and some examples of recent progress given on pages 72 to 74.

Mr. MARSHALL. We will insert pages 72 to 74 in the record.

(Pp. 72 to 74 are as follows:)

HOME ECONOMICS RESEARCH

SELECTED EXAMPLES OF RECENT PROGRESS

1. *Amino acids studied.*—Low biological values found for some food proteins have long been attributed to deficiency of one or more essential amino acids. Recently completed research on digestibility of protein-rich foods fed to young men indicates that incomplete absorption of certain essential amino acids may accentuate the low biological quality of some proteins. This was found true in a heat-processed plant protein containing considerable carbohydrate. The amino acids most affected included some already low, thus aggravating the deficiency. This work confirms for human subjects observations made earlier that heat processing renders some amino acids less available to laboratory animals and also to organisms used in microbiological assays of foods.

To find out where losses of amino acids occur in flour milling and breadmaking processes, analyses have been made of an official "national" sample of wheat, its milled fractions, the baking ingredients, and breads baked from flours of 73 and 84 percent extractions. Considerable losses were incurred as fractions of wheat were milled out, slight to moderate losses were traced to the baking per se, and none to the dough fermentation. Losses in baking were around 20 percent for lysine and tyrosine and around 10 percent for leucine, methionine, and phenylalanine. For all other amino acids the losses were slight or negligible.

2. *Data on fatty acids in foods summarized.*—Data on the fatty acid content and other characteristics of fat in foods have been summarized from published

and unpublished data of many laboratories, including the Department, to meet urgent requests for reference tables on this subject. However, data are scarce for some foods, the validity of others is doubtful, and the reported values vary widely. The data indicate that fats and oils common in diets in this country fall into four widely different groups as sources of linoleic acid—long recognized as an "essential" fatty acid and now the center of much attention in nutrition research. Those containing roughly 40 to 60 percent linoleic acid include oils of corn, cottonseed, soybean, and a few nuts; 20 to 35 percent, the oils of peanut, many tree nuts, and poultry fat; 5 to 15 percent, olive oil, lard, pork, and hydrogenated fats and margarines; and less than 5 percent, coconut oil, cocoa butter, and fats of milk, beef, and lamb.

3. *Comparative energy expenditures of younger and older women determined.*—It is generally assumed that energy expenditure and caloric requirements decrease with age. However, in recently completed studies of the comparative energy expenditures for performance of selected common activities by urban American women 20 to 30 years of age and 50 to 60 years of age, both basal energy requirements and energy expended for the activities were found to be about the same for both age groups. The basal metabolic rates of the older women agreed with widely-used prediction standards more closely than did the rates of the younger women. The rates below standard found for the younger group confirm other observations on young women of today.

4. *Reports on food consumption and dietary levels issued.*—Ten volumes of statistical tables from the 1955 household food consumption survey are now being widely used by home economists, nutritionists, and others concerned with agricultural programs. The data from 6,000 households on consumption of some 200 food items are reported separately for each of 4 regions, as well as for the United States as a whole. Households are classified by income for urban, rural nonfarm, and farm groups. Five of the reports include data on the nutrient contents of diets and an appraisal of dietary levels. Many interpretive articles have been prepared by the Department and other groups, based on the collected data.

5. *Dietary needs shown by food survey.*—Greater use of foods rich in calcium, vitamins A and C, and the B vitamins would have improved many diets according to the 1955 food consumption survey. Although average amounts of food brought into household kitchens were generous, many families had food supplies that did not meet the nutritional goals that are commonly accepted for dietary planning. The proportion of family diets not meeting these goals was greatest for calcium (29 percent) and next largest for vitamin C (25 percent). It is estimated that if everyone in this country whose diet is short in these two nutrients had a diet that met nutritional recommendations, about 9 percent more milk would be used by households and about 6 percent more fruits and vegetables. Considerable improvement in dietary levels has occurred in the past twenty years. In the 1930's a survey showed that a third of the Nation's families had diets that could be classed as "poor." In 1955 in probably as few as 10 percent of the households could the diets be called poor by the standards used in the earlier period.

6. *Farm family living expenditures reported.*—For the first time since 1942 family expenditures for a complete list of items are available from about 4,000 farm families representative of all farm operator families in the country. These data are used by leaders of farm and home management programs, and serve as a basis for developing farm family spending plans. Total expenditures for goods and services used for current consumption averaged $2,900. About 30 percent of this was spent for food; 25 percent for dwelling upkeep, household operation, and furnishings and equipment; slightly less than 15 percent each for clothing and transportation. In addition to expenditures for current consumption, farm families spent about $250 for gifts and contributions and for personal insurance.

7. *Effect of modern laundering equipment on fabric studied.*—The effect of home drying methods on typical white and colored fabrics has been the subject of many inquiries by consumers. These questions often deal with the effects of drying methods on retention of color and dimensions, and changes in certain physical and chemical properties affecting durability. Studies of this problem indicate that drying on inside racks causes the least change in fabric characteristics; the automatic electric and gas dryers were next in order; and outside line drying causes the greatest undesirable changes. Gas and electrically heated automatic dryers of like design operated with similar efficiencies in removing moisture.

8. *Efficient heights for built-in ovens determined.*—Wide variance in the installation of built-in ovens prompted research to determine the desirable installation height of this widely accepted modern-day appliance. It is recommended that ovens be so installed that all normal oven and broiler rack positions are between 28 to 40 inches from the floor. This recommendation, first published in a trade

journal, has subsequently been quoted in numerous articles directed to builders and homeowners. Since publication of the findings, commercial cabinet bases have become available that enable placement of ovens at the recommended height.

Dr. STIEBELING. I would like to stress the use being made of some of the findings and indicate their significance, and some of the current emphases in our research programs.

HOUSEHOLD FOOD CONSUMPTION SURVEY

As mentioned in the explanatory notes, during the fiscal year 1957 the Department released the basic figures of the most comprehensive study that has ever been made of household food consumption in this country, data classified not only for the country as a whole but by region, income, and urbanization. Both home economists and marketing specialists participated in the collection and interpretation of these data, which have been issued in a special series of the Department's publications. Each group has also prepared many interpretative articles for the principal users of these data.

The new data are important to the nutritionist and the home economist, as well as to the administrator and marketing specialist, because they show not only what people in different population groups are eating, but how good these diets are when they are judged by modern nutrition research. They show that many families in low-income groups are not getting as good diets as they should have nutritionally. But even more significant, I think, is that there are families in every income level whose diets could well be improved. Many of these families in every income level would do well to use more milk and more of certain fruits and vegetables, particularly.

NUTRITION EDUCATION

Continuing research, conducted both by our organization and others, is advancing our ideas of what constitutes good nutrition and how different kinds of foods can contribute to good nutrition. All of our studies continue to emphasize not only the importance of diet to health but also the very important place that food holds in the American standard of living.

And, so, we feel it very important that the public have better understanding of what good nutrition is and have deeper convictions as to the importance of the part that diets can play to sustaining vitality at all ages and in improved levels of living.

To help contribute to this understanding, our staff joined with the Department's committee on nutrition and with an interagency committee on nutrition education and school lunches in arranging, early last April, for a national institute on making more effective the nutrition education in this country. A selected group of 200 leaders from colleges and universities, from industry, from schools, from extension services, and others, were invited to consider how to improve the effectiveness of our nutrition education so that the results of research would get translated into everyday living. And on this occasion we presented the facts from our new survey about the population groups whose diets are in need of improvement, ways in which their diets fall short of what we think would make for better nutrition, and the contributions that different kinds of foods could make toward this.

And so our results help to point up the need for dynamic programs in nutrition education and suggest emphases for these programs.

These new data and their implications for health, agriculture, and the food industries have also been presented to the American Institute of Nutrition, the American Dietetic Association, to the annual agricultural outlook conference, and to numerous other special-interest groups in the regions and States. We have tried to get this information widely distributed through professional journals, trade papers, women's magazines, newspapers, radio programs, and so on.

PUBLICATIONS

We now have in press in the Government Printing Office a new publication for widespread use in nutrition education called A Daily Food Guide. This will be used in conjunction with the pamphlet we prepared last year called Essentials of an Adequate Diet which was prepared primarily for the teachers or leaders.

Because publication of results is a concrete and objective measure of research progress, I would like to point out that during 1957 the three research divisions issued or prepared more than a hundred publications based on our own or cooperative investigations. A few of these are noted in the explanatory notes. These publications cover such diverse subjects as the physiological aspects of nutrition, nutritive values of food, factors affecting food quality or its measurement, food selection or diet planning, home food preparation and preservation, household food consumption, textiles and clothing, housing and household equipment, expenditures for rural families for living, and household management.

Over half of these publications are records of our research studies, designed for the scientific public and for educators. About a quarter of them are really reference volumes for use by teachers, researchers, and writers, and about a fifth of them represent new or revised popular publications for the homemaker or the general public.

Following the consensus expressed by this committee last year, we have put special emphasis on trying to get the results of our research to teachers or leaders, and have prepared publications for the homemaker or the general public chiefly when the topic was of widespread interest or national significance, so that it needed little or no regional or local adaptation.

Outstanding among these latter types of publications are this Daily Food Guide, which I mentioned earlier, new materials on home food preservation, including canning, freezing, jelly making, and films and popular articles showing the application of our housing research to the development of working drawings for energy-saving kitchens and utility rooms.

RESEARCH ON QUALITY OF PRODUCTS

Now, I would like to speak briefly about some of the current emphases in our research program. We are cooperating with the production, processing, and marketing specialists on studies that are designed to define from the standpoint of the user, the consumer, the factors that make for quality. For example, these studies will help to determine the factors in foods that are related to their cooking or eating quality as well as to their nutritive values; or the characteristics of fabrics that

are affecting its performance in wear and care. This type of research provides information that can contribute to the production and maintenance of high quality in products from the farm to their end use by people. At present we are working principally on poultry and livestock products and on cotton and wool products.

HOUSING RESEARCH

In housing research, we are collaborating with the State experiment stations in the development of functional standards for interior house design that will provide the dwellers with greater comfort and efficiency. These standards are urgently needed by architects and home planners to supplement the construction standards that are developed by engineers.

HOUSEHOLD MANAGEMENT RESEARCH

In household management, being particularly aware of the needs of State and local groups in the rural development program, we are engaged in research to provide information on family needs and expenditure patterns. From these, principles or suggestions can be developed for improved household management, so that families may achieve higher levels of living with the resources at their disposal.

PROBLEM OF FAT IN NUTRITION

Among the new emphases in our nutrition research is our increased concentration on a problem we were discussing earlier—the problem of fat in nutrition.

We have summarized the data from the literature on the quantities of different kinds of fatty acids that are present in different foods. And we are now studying the relationships between the amounts and kinds of fat in the diet and other dietary constituents in maintaining normal composition of the blood and other body tissues. For this we are using long-term animal experimentation, as well as observations of metabolism of human subjects. This is the kind of research that we have called to the attention of this committee in earlier years, indicating the urgent need for investigation of the influence of the kind of fat on desirable range of fat intake.

We are keeping in close touch with the literature and with related research that is underway by industry, Government agencies, and universities as well, so as to be able to use our small staff and funds as efficiently as possible in advancing information on this subject. In some phases of this research we are having the active and very generous cooperation of a technical committee of the fat industry, involving both consultation and the preparation of materials for use in our research. We also have the advice and cooperation of the specialists in the chemistry and the technology of fat from the Department's utilization research divisions. Our present work on the role of fat in nutrition is on a small scale, but it does represent a redirection of a large proportion of the funds that we have for studies of human nutrition.

BASIC RESEARCH

We have always regarded basic research as essential to the solution of problems of concern to home economics, and in accordance with the special emphasis that ARS is now putting on basic research, we have a charter to support a pioneering research group for the study of the metabolism of the cell. The results, we are confident, will contribute to our understanding of human nutrition and will find many applications in other phases of our research too.

Reports of our research advisory committees have complimented us on the progress that we have made in developing new knowledge that will help to solve some of the problems of everyday living. The same new knowledge also provides a stronger foundation for many of the programs that contribute to the welfare of our country as a whole.

USE OF FINDINGS BY OTHER NATIONS

We also have been heartened by the repeated and the widespread recognition that our research program receives abroad. Much use is made of our publications by the United Nations and its specialized agencies as well as by the International Cooperation Administration and other groups who are working to improve conditions of living abroad.

Of course, our materials have to be adapted to the cultures of these other countries. When it is impossible to make adaptations, these agencies have been encouraging other governments to undertake research similar to that which we undertake in home economics here.

Thus, I think it is clear that the subject matter with which we deal is of universal concern. We do need to know more about what people need and how agricultural products can contribute to satisfying those needs. We need to know the levels of consumption that are characteristic of different population groups and the extent to which those levels of consumption are consistent with what we know about people's needs.

This kind of information is basic to educational programs and to many other kinds of programs for the improved welfare of rural people and indeed of all families in this country.

This concludes my statement.

Mr. MARSHALL. That was an interesting report. Dr. Stiebeling. Have you had any problems in maintaining an adequate staff?

RECRUITING PROBLEMS

Dr. STIEBELING. Yes, we do have problems, partly because of the colleges and universities being able to outbid us, and partly because some of the other Government agencies are in a better position than we are at the present time to bid for staff. Both because of problems in maintaining staff and because of the lack of certain

needed facilities we are doing more work by contract than I think would be expected with an appropriation of our size.

MEETINGS OUTSIDE WASHINGTON

Mr. MARSHALL. How much of your time do you have to spend outside of Washington meeting the State people, approximately?

Dr. STIEBELING. I think I haven't spent as much time as I should. I hope to spend more. I do endeavor to meet with the major professional groups in home economics. I accept as many invitations to speak with regional and State groups as I can. I take whatever opportunities I can arrange to consult with the home economics research administrators and experiment station directors.

RURAL-DEVELOPMENT PROGRAM

Mr. MARSHALL. How does your work fit in with the rural development program?

Dr. STIEBELING. Congress appropriated around $75,000 in fiscal year 1957 to enable us to undertake research that would be of assistance to the State and local groups in the rural development programs. Extension leaders in the States have indicated that they need more up-to-date information on the present expenditure patterns and use of time and money for family living that low-income people now make, as a basis for making suggestions for improving home-management programs. For this they have asked particularly. And we have endeavored to give background information for decision making; for example, the extent to which families might improve levels of living through increased household production of goods; or the extent to which it is better to use time and energy for employment off the farm by homemakers as well as by other family members, rather than for additional household production.

Those are some of the points of information.

Mr. MARSHALL. That is based on requests from States for information?

Dr. STIEBELING. For information that is basic to their programs. We attempt to use our research funds for studies that will contribute quite generally, rather than being specifically of help only to a single place.

Mr. MARSHALL. You do not engage in any field work?

Dr. STIEBELING. No. We have no field staff. Direct help to families is given by the State extension people and other local leaders.

RESEARCH ON FABRICS

Mr. MARSHALL. When this committee had the opportunity of going out to Beltsville we saw some of the work you were doing in testing fabrics.

Do you do any work of testing of fabrics in connection with synthetics, or a mixture of natural fibers?

Dr. STIEBELING. Most of our work is concerned with cotton and wool. We do, however, have some competitive materials that are available on the market that represent combinations of different kinds of fibers which we put into service along with the fabrics of known construction and composition and of known origin to get some idea of their relative performance in use and of the problems that are involved in their care.

Mr. MARSHALL. Have you published any bulletins in connection with a mixture of synthetic and natural fibers or in connection with synthetic fibers?

Dr. STIEBELING. We have a little publication called "Clothing Fabrics—Facts for Consumer Education" which indicates the fibers of which certain staple materials are now made.

We have used some experimental fabrics made up not only of natural fibers, but also synthetic yarns—to see whether principles of fabric construction in relation to stability would hold, whether the fabric is made of natural fibers or of synthetics. Most of those results are published in technical or professional journals.

Mr. NATCHER. Mr. Chairman, I would like to say on the record that all of the farm women in the State of Kentucky appreciate the fine work that your Department is doing, Dr. Stiebeling.

Dr. STIEBELING. Thank you.

SELECTION OF NEW PROJECTS

Mr. NATCHER. I am just wondering what method you use in selecting new projects?

Dr. STIEBELING. Well, we depend largely on three things. One is the very voluminous correspondence—letters from homemakers, from teachers, from welfare agencies, and other groups, asking questions. We use that as a measure of the needs. Then the extension division of the Land-Grant College Association from time to time prepares for the use of the State experiment stations and for our use lists of the problems which they encounter on which they need more information. Finally, we have an advisory committee on home economics which is made up of users of our research results chiefly. That is, in its membership there are farm women; there is a representative of the social welfare group, a case worker from one of the large family service agencies; there is a public-school supervisor of home economics; there is an extension worker; there are representatives of the research or college teachers from the different subject matter fields in which we work. They bring to us problems which they themselves encounter and which, from their discussions with their colleagues in the field, they evaluate as being important.

Each year our home economics research advisory committee goes over our progress and work underway. They also discuss with us our ideas of the most important next steps to take, based on all of the suggestions that our staff gets from correspondence and from discussion with extension people, their contact with professional leaders, teachers, and others in the field, at public meetings.

In housing and in nutrition, we also are members of the regional technical committees on research of the State experiment station. This gives our staff an opportunity to work closely with the research workers in the various regions of the country and that provides another avenue of exchange of information and exchange of ideas of the relative importance of different projects.

HOUSEHOLD MACHINE EQUIPMENT

Mr. NATCHER. Thank you very much, Dr. Stiebeling.

Mr. HORAN. We discussed at one time past the invasion of the modern home by all this automatic machinery. I wondered if you, in conjunction with agricultural engineering, had put out any booklets on the use, operation, and care and maintenance of automatic dishwashers, dryers, etc. I see you have something here on the height of ovens.

Dr. STIEBELING. The only thing that we have done since our last conversation on that subject was to publish some results of the performance and use of the various types of washing machines. We have studied also some of the dryers that are available on the market.

Mr. HORAN. At one time I introduced a bill requiring all manufacturers to put out a little manual on the home repair of any machine they sold. Some of them do.

Dr. STIEBELING. I will comment that models change so rapidly that it is very difficult to keep up with the operations of present-day household equipment.

Mr. HORAN. Styles change too. I expect you have been worrying about the new styles in women's dresses, haven't you?

Dr. STIEBELING. Our major concern with dresses is from the standpoint of functional quality of work clothes rather than fashion in clothes.

Mr. HORAN. That is all, Mr. Chairman.

Mr. MARSHALL. Doctor Stiebeling, we thank you. We know the committee is very much interested in the work you are doing.

It seems to me that it is one of the most important phases of our agricultural work, because the work that the home economists do contributes directly to making the homes of America, particularly the farm homes, better places for families to live in. So, we wish you all kinds of success. And this committee wants to be as helpful as we possibly can in the work the home economists are doing in this country.

Plant and Animal Disease and Pest Control

Mr. Whitten. We come now to plant and animal control and regulatory activities. Dr. Clarkson, we would be glad to hear from you. I would like to ask you to give particular reference to increases or changes in the program.

Dr. Clarkson. Thank you, Mr. Chairman.

The first item in the group of regulatory programs administered by the Agricultural Research Service pertains to plant-pest control.

PLANT-PEST CONTROL

With the chairman's permission, I would like to suggest that pages 76 through 90 of the notes covering the work being done be made a part of the record.

Mr. Whitten. We would like to have pages 76 through 90 included in the record at this point.

(The documents referred to are as follows:)

Plant Disease and Pest Control

Current activities: The work is divided into three categories: (*a*) insect and plant-disease control, designed to protect agriculture from destructive insects and plant diseases, including inspection to detect and appraise infestations, certification of regulated articles, supervision of treatments required by plant quarantines, application of pesticides, and use of other methods of combating infestations; (*b*) protective measures, primarily inspections at ports of entry to prevent the introduction from abroad of pests and plant diseases, and certification of the absence of plant pests on plants and plant products for export; and (*c*) administration and enforcement of the Federal Insecticide, Fungicide, and Rodenticide Act to prevent the sale of mislabeled and inadequately labeled economic poisons, and to safeguard farmers and other users from injury to crops, livestock, or themselves, and from loss resulting from deceptive, careless, or fraudulent marketing practices.

SELECTED EXAMPLES OF RECENT PROGRESS

Plant-pest control

1. *Barberry eradication. More than 8,700,000 barberry bushes destroyed in year ending June 30, 1957.*—These bushes were found on 3,200 properties distributed over approximately 8,400 square miles in 19 eradication States. Of this total 7,800 square miles were placed on maintenance and will require only sufficient work in the future on infested sites to maintain the barberry-free condition. The total area in the 19 States requiring further work now approximates 54,000 square miles. (See fig. 11.).

As a prerequisite to the interstate shipment of barberry and mahonia, 438 nurseries were inspected in over 40 States and the District of Columbia. In the same period 425 dealer inspections were made preparatory to issuance of permits for the interstate shipment of barberry and mahonia stock purchased for resale.

2. *Citrus blackfly and Mexican fruitfly control.*—(*a*) Blackfly surveys continued—Southern Texas apparently free of the pest: Although surveys have been continuous during the entire season, no blackflies have been taken in Texas following the treatment with insecticides of infestations found in 1955 and 1956. During the period May 31 1955, to August 31, 1956, surveys revealed 33 infested properties (14 of which were found in July and August 1956). Since then none has been found. During the past year 280,342 trees were inspected on 8,229 properties in Texas. A survey conducted in Mexico from July 1, 1956, to June 30, 1957, from Sonora east through Tamaulipas, showed 809,562 trees inspected

on 24,128 properties with 3,301 infested trees found on 206 properties. In the southern part of the State of Tamaulipas the liberation of parasites continues in certain infested groves. The status of the citrus blackfly control program is shown in figure 12.

(*b*) Mexican fruitflies found in California and Baja California, Mexico, in 1957: Since the reappearance of a number of Mexican fruitflies at several locations on both sides of the border during the summer of 1957, arrangements have been made with Mexican officials to strengthen the inspection of vehicular, rail, and air traffic arriving from the interior of Mexico as well as the inspection of ships arriving at Baja California ports. As the season developed it became quite evident that the influx of flies in the West was due to exceedingly heavy fruitfly infestations in the generally infested area of central Mexico. Under such conditions the hazard of spread through the movement of noncommercial lots of infested fruit into border areas is greatly increased. Intensive surveys are continuing on both sides of the border. The spraying operations carried on by the State of California since the discovery of the Mexican fruitfly in border areas has prevented it from gaining a firm foothold north of the border. Without the continuing interest and cooperation of the Mexican Department of Agriculture in their inspection, survey, and spraying operations a more intensive and costly eradication campaign in California undoubtedly would be necessary.

Because of Mexican fruitfly populations in the border area of Texas 2,599 properties were inspected in 22 counties, revealing 124 infested properties. The treatment of 158,888 boxes of fruit through May 31, 1957, was necessary. The status of the Mexican fruitfly control program is shown in figure 13.

3. *Golden nematode control.*—(*a*) Few new infestations of golden nematode found on Long Island: Surveys during the fiscal year 1957 added only 8 new fields with a total of 297 acres to the previously known infestations.

The new properties found infested were intermingled with or adjacent to known infested properties. This is the second consecutive year that the number and extent of new infestations have continued at this low level. No golden nematode infestations have been found in other potato-producing States. These results are attributed to early quarantine action and the immediate retirement of infested land from potato or other host production.

(*b*) Research findings indicate possibility of eradicating the golden nematode: Field-scale tests were inaugurated in 1956 to determine whether the golden nematode could be eradicated by chemical means. Three fields were selected for the tests and the nematocide DD was applied at the rate of 900 pounds per acre in 2 applications of 450 pounds each, 10 days apart. Potatoes were then planted on the treated land. Laboratory results indicated complete kill of cysts when favorable conditions prevailed for the tests. The program will be continued and expanded during the coming season to determine more accurately the effectiveness of the procedure.

4. *Gypsy-moth control.*—(*a*) Surveys show 1957 eradication measures were effective: About 36,000 traps were operated within and outside areas sprayed in 1957 in Michigan, Pennsylvania, New Jersey, and New York for eradication of the gypsy moth. No moths were trapped in sprayed areas of Pennsylvania, New Jersey, or Michigan. In New York, close to the periphery of the generally infested area, moths were captured in 6 counties, 3 of which were within the sprayed area. Moths were captured in 3 isolated spots outside the sprayed areas of New Jersey and in 7 Pennsylvania counties outside the sprayed areas. An extensive infestation was found in Luzerne County, Pa., with about 100 acres of trees defoliated. No widespread defoliation occurred in New England this season. Figure 14 shows the status of infestation.

(*b*) Gypsy-moth eradication accelerated in fiscal year 1957: The 1957 program was designed to halt the spread of the insect westward, to eliminate infestations recently established in New Jersey and Pennsylvania and to eradicate the insect in the Southern Catskills, Lower Hudson Valley and on Long Island in New York. Acreages treated as a part of the eradication program totaled 3,027,227 as follows: Pennsylvania, 235,925; New York, 2,579,362; New Jersey, 193,140; and Michigan, 18,800. Acres sprayed under State contract for suppression were as follows: Connecticut, 53,874; Massachusetts, 120,000; New York, 195,463; and Rhode Island, 27,655.

(*c*) Quarantine action designed to protect eradication areas: On May 16, 1957, 8 counties and 12 townships in southeastern New York, including part of Long

Island, the areas in which eradication work is in progress, were designated under the gypsy moth quarantine as "suppressive area." Movement of hazardous articles into the suppressive area is regulated. The purpose of this action is to avoid reinfestation of the eradication areas by preventing the movement of infested articles from the generally infested area into the areas where eradication measures have been applied.

5. *No new infestations of Hall scale found.*—Continuous delimiting surveys on the cooperative Hall scale eradication program have not revealed any additional infestations in the vicinity of Oroville, Chico, Gridley, or Davis City, Calif. The last infestation was found in June 1956. Inspection continues in the above areas and includes small areas in El Dorado, Contra Costa, Solano, and San Benito Counties.

During fiscal year 1957, 75,237 host plants on 5,095 properties were inspected; 1,580 host plants were removed; 2,657 trees fumigated with HCN; and 1,849 trees still require treatment.

6. *Insect detection and advisory service continues to provide timely insect information for farmers and agricultural workers.*—As an aid to meeting the foreign insect introduction threat, a series of illustrated articles have been published in the Cooperative Economic Insect Report under the caption, "Insects Not Known to Occur in the United States." Special reports on nationally important pests such as the spotted alfalfa aphid, Mediterranean fruitfly, and the imported fire ant have been given wide distribution. Outlook reports published during the past year included status of the European corn borer, grasshopper situation, boll weevil hibernation and survival survey, and chinch bug outlook. Entomologists and agricultural workers throughout the country have shown increasing interest in the weekly insect report. Entomology instructors in colleges and universities use it regularly in classroom work. Thirty-one States, an increase of 5 since last year, now employ full-time survey entomologists. This program enlists the cooperative efforts of the Extension Service, the Agricultural experiment stations, and the State regulatory agencies; thus assuring complete State coverage of insect problems. More than 8,000 notes for permanent insect record files were received during the year.

7. *Insecticide, Fungicide, and Rodenticide Act.*—(*a*) Responsibilities under the Federal Insecticide, Fungicide, and Rodenticide Act: The purpose of this act is to assure the general public that commercial pesticides are effective for the purposes for which they are sold, and then when used according to directions they will not cause injury either to the user or to those who may eat treated products. The act also assures uniformity of regulation. This is being accomplished by requiring correctness of labeling as a prerequisite to registration under the Federal law and by examining samples and taking legal action, when appropriate, against the manufacturers and formulators of pesticides moving in interstate commerce that do not comply with the act. Close cooperation with the States is maintained in carrying out these functions.

(*b*) Registration activities: There was a continued increase in the registration of pesticides under the Federal Insecticide, Fungicide, and Rodenticide Act. In fiscal year 1957, 4,222 new products were registered, compared with 3,965 in the previous year. For the fiscal year, 3,509 amended labels and 1,858 distributor's brands were accepted. At the end of fiscal year 1957, there were approximately 39,000 products registered.

Holders of registrations issued during fiscal year 1952 were notified that their registrations had expired. It was found that many of the firms are no longer in business, and a total of 7,800 registrations were canceled.

(*c*) Responsibilities under the Federal Food, Drug, and Cosmetic Act assigned to Agriculture: One of the purposes of this act is to improve the procedures for determining the safety of pesticide residues which may remain on raw agricultural commodities shipped in interstate commerce. The Department has responsibility to certify to the Department of Health, Education, and Welfare that a pesticide chemical being considered for a tolerance or exemption is useful for the purpose intended, and to submit an opinion as to whether the proposed tolerance or exemption reflects the amount of residue likely to result when the product is used as directed.

At the end of fiscal year 1957, 98 petitions for tolerances for pesticide chemicals had been processed. A total of 1,515 pesticide chemical uses registered under the Federal Insecticide, Fungicide, and Rodenticide Act are now covered by tolerances. Altogether, 66 pesticide chemicals are covered by these tolerances;

24 have been exempted from the requirement of tolerance on fresh fruits and vegetables; and 7 have been recognized as safe for use on raw agricultural commodities.

(*d*) Survey of registered pesticide chemical uses: As a result of a survey, a 254-page Summary of Certain Pesticide Chemical Uses, covering 147 pesticide chemicals, was prepared as an aid to registrants of economic poisons under the Federal Insecticide, Fungicide, and Rodenticide Act in preparing labeling which would meet the requirements of both that law and Public Law 518. Approximately 22 percent of the labels being submitted for registration at the end of fiscal year 1957 bore directions for use which made it necessary to notify the registrant that the best evidence currently available indicated such directions might result in crops so treated being in violation of Public Law 518. The summary was distributed to registrants, State regulatory and research agencies, trade associations, and to a number of other interested individuals.

(*e*) Enforcement activities: During fiscal year 1957, 1,504 economic poisons were collected by investigators from interstate shipments and tested for chemical composition and performance. Samples from 273 shipments (18 percent) were found sufficiently misbranded, adulterated, or otherwise in violation of the act to warrant issuing registered notices of violation. Seizure action was initiated on 23 shipments.

8. *Japanese beetle control.*—(*a*) Control measures applied to extensive acreage: During fiscal year 1957, insecticide treatments consisting largely of granular dieldrin at a minimum rate of 2 pounds per acre were applied to 10,390 acres in areas around Sheldon, Ill., Bellevue and Cincinnati, Ohio, and Argos, South Bend, and Fort Wayne, Ind. In addition 85,333 gallons of insecticide were applied as foliage applications as a control measure or in support of regulatory operations.

(B) The first established infestation of Japanese beetle in Iowa was found at Fort Madison in July 1957. A total of 55 beetles was trapped in an area covering about 2 square miles. Iowa is prepared to begin control measures in the Fort Madison area and take such regulatory action as may be necessary. Regulated articles with an estimated value of $18,900,000 were certified for shipment from the regulated area during the year. (See fig. 15 for areas of infestation.)

9. *Phony peach and peach mosaic eradication.*—(*a*) Control activities continue effective against phony peach disease: During fiscal year 1957 in excess of 5,200,000 trees were inspected, 27,106 of which were found infected with phony. This is an overall infection incidence of 0.5 percent for 1957 as compared with 0.7 percent in 1954, 1.3 percent in 1953 and 2.5 percent in 1952. The low incidence of phony disease again this year indicates that present methods are holding the disease in check. (See fig. 16.)

During the year, growers have intensified their efforts to destroy wild plum trees in the vicinity of their plantings by use of herbicides. The plum trees which grow singly or in thickets serve as reservoirs of phony infection from which the disease is spread to uninfected peach trees. The program is primarily in the Southeast.

(*b*) Incidence of peach mosaic remains low: During the year 2,758,097 trees were inspected, 8,966 of which were found infected with peach mosaic. This is an overall peach mosaic incidence of 0.32 percent as compared to 4.16 percent, 1935. The disease has been reduced from the high level of incidence in 1935 by extensive inspection and tree removal. This problem is confined largely to California and Colorado with some work in Texas, New Mexico, Arizona, and other States. The status of the peach mosaic control program is shown in figure 17.

10. *Pink bollworm control.*—(*a*) Infested area modified: Pink bollworm was found in 1957 in gin trash in Iberia, Lafayette, and St. Martin Parishes in Louisiana adjacent to the regulated area, and a single larva was found in Washington Parish, La., at the Mississippi line. Union and Lincoln Parishes in Louisiana have been released from quarantine as 1957 inspection results were negative for the third successive year. Only one county in Arkansas showed infestation as a result of inspection through October. Figure 18 shows the pink bollworm quarantine and infested areas.

(*b*) Pink bollworm infestation in central Texas creates special problem affecting control operations: For the past several years the pink bollworm has been increasing in numbers in central Texas in the Brazos and Trinity River

Basins creating a real danger of further spread to the North and East. There is urgent need for cottongrowers of this area to follow a program of maximum control through the use of insecticides and cultural control methods. The latter includes destruction of cotton stalks as soon as possible after harvest, using efficient shredders which kill a high percentage of pink bollworms, followed by plowing under crop residues to as great a depth as soil conditions will permit.

(*c*) Movement of Mexican laborers into Arizona and California threatens establishment of new pink bollworm infestations: Mexican cotton pickers (Braceros) moving in large numbers from Mexico into cotton-producing areas of California and Arizona carry articles capable of harboring pink bollworms. In cooperation with Mexican officials inspection stations have been established south of the Mexican border on highways, railroads, airlines, and steamship docks to control the movement of certain products and articles either carried by these workers or moving in commercial channels. Despite these checks the large volume of worker movement presents a constant danger of infested seed cotton entering the country and establishing pink bollworm in cotton growing areas. For this reason emphasis is being placed on increasing survey for pink bollworm in these areas. During the past season, bloom inspection was carried out in southern California and adjacent areas in Mexico. Gin trash inspection in the region comprising California, Arizona, and western México was increased over previous years. No established infestations were found.

11. *Sweetpotato weevil control.*—(*a*) Insecticides give effective control of sweetpotato weevil in stored sweetpotatoes: During the harvest season of fiscal year 1957, 1.5 million bushels of harvested sweetpotatoes were dusted with insecticides by the growers and storage operators and moved to market or stored in treated kilns. This method of eliminating infestation in harvested sweetpotatoes is a great improvement over methods of a few years ago which included fumigation of all potatoes except those moving to restricted northern markets.

(*b*) Insecticides also provided for production of weevil-free crop: During the growing season farmers applied insecticides to 4,399 seedbeds and to 18,142 acres of field plantings. Treating the seedbeds results in the production of weevil free planting stock which greatly lowers the possibility of field infestation. Figure 19 shows the status of the sweetpotato weevil control.

(*c*) Survey expanded: Emphasis has been placed on survey activities to locate weevil infestations. During the past year 122,900 property inspections were made as compared with about half that many in previous years.

12. *White-fringed beetle control.*—(*a*) Intensified survey provides basis for re-evaluating control measures. As a result of the intensified survey during the past season, 97,300 new infested acres were found. This increase is considerably higher than that reported annually for previous years and in part represents the inclusion of lands lying in the periphery of known infestations in the generally infested areas of Alabama, Florida, and Mississippi, and of lands lying between such infestations. The current program is aimed at the treatment of infestations lying outside the generally infested areas while continuing to apply suppressive measures within the areas. Figure 20 shows the areas involved.

(*b*) Treatment of land with soil residual insecticides continues effective: In 1957, 24,743 acres were soil treated, and foliage sprays were applied to an aggregate of 60,000 acres. Soil treatments, supported where required by the annual application of environs foliage sprays, have demonstrated the possibility of eradicating the beetle on agricultural, industrial and other tynes of land. As a result of such treatments over the past several years no white-fringed beetles have been found for three or more years on 170,000 of the 604,564 acres on which infestation has been found.

13. *Additional burrowing nematode infestations found in Florida.*—Surveys for the burrowing nematode have been carried out in 28 counties in the State of Florida with special emphasis on citrus nurseries. During fiscal year 1957, 326 properties were added to the 1,572 infested properties found previously. These new properties include 109 citrus nurseries, 173 citrus groves, 24 ornamental nurseries and 20 miscellaneous properties. Inspection of citrus nurseries in the State is nearing completion.

A survey of citrus groves and nurseries in other citrus-producing States was initiated in fiscal year 1956 and completed during fiscal year 1957. Burrowing nematode infestations were found in 2 greenhouses operated by 1 owner. Infestations were confined to ornamentals and prompt cleanup measures were initiated by the State.

Florida's tree-removal program was temporarily halted when the State supreme court ruled that the removal of trees without compensation was unconstitutional. The State legislature on June 6, 1957, passed a bill providing for compensation. The State plant board has conducted control operations in 25 nurseries and 139 groves with a total of 1,286 acres being treated this year.

14. *Tests indicate possibility of eradicating European chafer at incipient infestation points.*—Beginning in 1955, isolated infestations of European chafer have been treated with insecticide in West Virginia, Connecticut, and New York. A few adult chafers were found at Meriden, Conn., but none was collected during survey operations in 1957 in West Virginia, or in Buffalo, Elmira, Niagara Falls, and Oswego, N. Y. Traps operated in 14 bordering or exposed States failed to reveal any extension of infestations.

Additional chemicals were tested during the season when adult beetles were in flight in an effort to discover a more efficient bait for traps. Cooperative tests are underway to develop effective foliage sprays to be used for reducing adult populations along main travel arteries and for use in combination with soil treatments to eliminate isolated or incipient infestations.

A series of specific chemical treatments designed to render plants or soil eligible for certification was approved in the spring of 1957. Areas found infested near Syracuse, N. Y., have now been included under the Federal quarantine. Regulated industries spent an estimated $50,000 for quarantine compliance during the past year.

15. *Grasshopper and Mormon cricket control.*—(*a*) Surveys and plans for grasshopper control: Egg and adult surveys in the fall of 1956 showed heavy egg deposition and adult populations on more than 22 million acres of rangeland in 15 Western States and 13 million acres of cropland in 17 States reporting. Rangeland species were most abundant in California, Montana, and Wyoming followed closely by Utah, Oregon, and Nevada. Principal areas of cropland infestations were in North Dakota, Nebraska, Kansas, and California. Seriousness of both types of infestations was greatly reduced by unprecedented rainfall. Outlook maps for 1958 are now being prepared based on adult and egg surveys conducted in the fall of 1957.

(*b*) Cooperative control programs in 11 Western States: On cropland, farmers carried out control with technical assistance and direction from State and Federal employees. During the 1957 season, 1,738,651 acres of rangeland were treated in a State-Federal cooperative program in 11 Western States. Greatest acreage treated was in Montana with 651,604 followed by Wyoming with 442,898, California with 167,839, and New Mexico with 121,614. (See figure 21 for location and size of areas sprayed.)

(*c*) Mormon cricket populations remain static: In 1957, 73,916 acres of rangeland were treated to control Mormon crickets. This compares with 55,747 acres in 1956. In addition to the work done, some 2 million acres of threatening infestation, principally in Montana, were surveyed and mapped, although no organized cooperative control was undertaken. This uncontrolled infestation will be kept under observation during 1958 and control applied if necessary. A portion of the remaining infested are coincides with current grasshopper outbreaks. However, the spray used to control grasshoppers is not as effective for Mormon crickets as bait.

16. *Khapra beetle eradication reaches mopup stage of scattered infestations.*—From July 1, 1956, to October 22, 1957, over 12,000 properties were inspected in 11 Western States plus more than 17,500 repeat inspections. No established infestations were discovered outside of California, Arizona, New Mexico, and Mexico. Of 99 infestations found in that period, 9 were properties on which treatment apparently was not fully successful, and 9 were reinfestations due to receipt of infested material. Fumigation of known infested premises progressed satisfactorily. The following table reflects the work as of October 22, 1957, since the initiation of the program in 1955.

State	Infested		Treated		Remaining	
	Number of properties	Cubic feet	Number of properties	Cubic feet	Number of properties	Cubic feet
California	312	80,494,481	291	[1] 79,383,577	13	1,110,904
Arizona	163	47,150,964	161	46,791,012	2	359,952
New Mexico	6	440,900	6	440,900	0	0
Republic of Mexico	48	11,696,639	48	11,696,639	0	0
Total	529	139,782,984	506	138,312,128	15	1,470,856

[1] Includes 8 sites not released and volume of re-treated sites.

Recent infestations are in sites of relatively small volume and in some instances occur in retail establishments. Because of their small size, the wrapping of the storage facilities is less complex. Locating light infestations at this stage of eradication is much more difficult because populations have not had sufficient time to build up to a discovery level. (Map of infestations, fig. 22.)

17. *Mediterranean fruitfly nears eradication through Federal-State efforts.*—Surveys, chemical treatments, and regulatory measures have served to eliminate or drastically reduce fly populations in all infested areas; thus bringing the goal of eradication in sight. The declining number of adults caught as the control program progressed reflects the effectiveness of the spray program. (See fig. 23.)

In June 1956, 4,100 traps were in operation and 3,000 flies per 1,000 traps were captured in a day. In June 1957, 48,658 traps were in operation and only 34 flies were captured during the entire month. The trap surveys have been supplemented by an intensive fruit-cutting operation designed to determine the presence of larvae in fruit particularly in calamondin, peaches, kumquats, and similar preferred hosts. In Alabama, Georgia, Louisiana, Mississippi, South Carolina and Texas, 1,266 traps have been in continuous operation with negative results. Trap surveys in California, in selected areas, have also proved negative.

Timely development of effective synthetic lures, ENT-21478 and ENT-21486, proved extremely valuable in view of the worldwide shortage and high cost of oil of angelica seed, originally used as a trap bait. Plastic traps were substituted for glass traps because of their greater efficiency.

18. *Soybean cyst nematode found in four additional States.*—The soybean cyst nematode was discovered in New Hanover County, N. C., in the summer of 1954 following a report by a grower who had experienced progressively reduced yields over a period of several years. Delimiting surveys were carried out in that State and survey work was extended to other important soybean producing areas of the country.

The nematode was found in Tennessee in November 1956 and subsequently in Missouri, Arkansas, Kentucky, and Mississippi. The exact source and time of introduction of the soybean cyst nematode into this country is not known but it is believed to have been here a number of years. The infestations that have been found to date are the only ones that are known in the Western Hemisphere.

The Federal soybean cyst nematode quarantine was invoked on July 26, 1957, to regulate the movements of host materials, commodities, or anything that constitutes a hazard of spread. The affected States are developing parallel State quarantines. The quarantines and regulations are designed to contain the infestations of the soybean cyst nematode to the areas where it is now known to occur.

Surveys are continuing in an effort to delimit the known infestations and to determine the presence of the soybean cyst nematode in other soybean-producing areas. (See Figure 24.)

The status of infestations as of October 15, 1957, is as follows:

State	Number of counties	Number of properties	Total acres
Arkansas	2	89	1,841
Kentucky	1	7	275
Mississippi	1	1	300
Missouri	3	61	2,640
North Carolina	3	99	1,998
Tennessee	4	101	6,658
Total	14	358	13,712

19. *Witchweed found parasitic on corn in the United States.*—In the late summer of 1956 damage to corn in North Carolina was recognized as being caused by an introduced species of a parasitic weed of the genus *Striga*. Thereafter, the weed was found in adjoining counties of South Carolina. This parasite, known to affect corn and many other members of the grass family, belongs to a genus known to be extremely damaging to such crops in Africa and certain parts of Asia. Symptoms on corn resemble those produced by acute drought and the plants become stunted, wilted and yellowish. Limited acreages of corn in some infested fields in the Carolinas were a complete failure in 1956.

The total acreage is approximately 50 percent in idle land and 50 percent in cultivated land. The percentage distribution of the crops on the infested cultivated land is as follows: corn, 31 percent; small grain, 31 percent; cotton, 10 percent; soybeans, 8 percent; tobacco, 8 percent; and the remaining 12 percent is in sweetpotatoes, vegetables, peanuts, hay, etc. Tobacco is the most valuable cash crop of the affected counties.

Beginning in 1956, surveys through December 6, 1957, show a total of 190,821 acres with infestation in 17 counties of North and South Carolina, distributed as follows by counties: In North Carolina—Bladen, 19,507; Columbus, 18,746; Cumberland, 10,401; Duplin, 924; Harnett, 1,231; Hoke, 7,814; Pender, 343; Richmond, 400; Robeson, 57,982; Sampson, 6,514; Scotland, 2,893; in South Carolina—Darlington, 270; Dillon, 30,974; Florence, 4,197; Horry, 10,281; Marion, 11,881; Marlboro, 6,463. Figure 25 shows known distribution of witchweed.

20. *Imported fire ant program gets underway.*—Eradication of the imported fire ant is underway. The ant is known to infest 6 counties of east Texas, about half of Louisiana and Mississippi, two-thirds of Alabama, 14 counties of Florida, portions of 32 counties in Georgia, 4 in South Carolina and 1 in Arkansas.

Objectives of the imported fire ant program are (1) to prevent further spread of the insect through application of regulatory measures; and (2) to progressively reduce infested acreage through the use of the most effective measures for eradication. Spotted infestations outside the generally infested area will receive first attention. State and local ant eradication committees have been organized and the work is progressing as a joint Federal-State-local effort.

21. *Hoja blanca disease of rice found in Florida.*—A destructive virus disease of rice was found in the fall of 1957 in several rice fields near Belle Glade, Fla. For several years the disease has been under observation by the Department in Cuba and Venezuela, where it has been known to reduce yields by as much as 50 percent.

To kill suspected vectors, the Department and the Florida State Plant Board applied an insecticide on infected rice and other plants in an area of about 2,460 acres. The plants were then chopped and plowed under in an effort to eradicate the disease. Subsequent surveys have failed to locate further infections. Varieties of rice grown extensively in the United States are susceptible to the virus.

Surveys will be continued in planted fields and in volunteer rice to determine the extent of the infection in the Florida area. Florida does not have extensive commercial rice plantings.

22. *Demands on contingency fund for emergency outbreaks of insects and plant diseases much heavier in fiscal year 1957.*—During fiscal year 1957 a total of $7,380,000 was made available from the contingency fund for plant pest control activities. Table II shows distribution of the moneys and programs financed through contingency fund releases for fiscal years 1952 through 1957. For fiscal year 1958, $1,820,000 was appropriated to finance foreseeable plant-pest control programs, which had previously been financed under the contingency fund. On this basis the contingency fund for fiscal year 1958 is $1 million to be used in combating unforeseeable incipient and emergency infestations, including unforeseen spread of infestations of pests for which some provision is made in the budget for the current control and eradication programs.

TABLE II.—*Releases from the contingency fund for control of emergency outbreaks of insects and plant diseases, fiscal years 1952 through 1958 (to Dec. 31, 1957)*

	1952	1953	1954	1955	1956	1957	1958 to Dec. 31, 1957
Contingency fund:							
Annual appropriation acts	$1,000,000	$1,000,000	$600,000	$400,000	$1,000,000	$4,400,000	$1,000,000
Supplemental appropriation acts				650,000	650,000	3,450,000	
Total appropriations for contingency fund	1,000,000	1,000,000	600,000	1,050,000	1,650,000	[1] 7,850,000	1,000,000
Releases for control of emergency outbreaks of insects:							
Grasshoppers and Mormon crickets	144,000	438,700	528,940	284,300	566,000	1,028,000	[2]
Burrowing nematode				35,000	150,000	403,000	[2]
European chafer				50,000	83,000	80,000	[2]
Khapra beetle				156,000	684,000	960,000	[2]
Mexican fruitfly				125,000	137,000	135,000	[2]
Soybean nematode					30,000	77,000	[3] 110,000
Mediterranean fruitfly						[4] 4,675,000	[2]
Witchweed						22,000	190,000
Total releases	144,000	438,700	528,940	650,300	1,650,000	7,380,000	300,000
Balance in contingency fund	[4] 856,000	[5] 561,300	71,060	[6] 399,700		470,000	700,000

[1] Includes $1,250,000 which was immediately available in fiscal year 1956 for control of Medfly.
[2] Provided for under regular projects, fiscal year 1958.
[3] $120,000 provided under regular projects.
[4] Includes $37,800 not required for emergency insect control activities which was transferred to the item for control of vesicular exanthema to meet emergency needs.
[5] Includes $500,000 not required for emergency insect control activities which was transferred to the item for control of vesicular exanthema to meet emergency needs.
[6] This balance was transferred, after the close of the fiscal year, to other appropriations to meet retroactive pay act costs pursuant to Public Law 123, 84th Cong.

Dr. CLARKSON. The programs are cooperative with the States, and, wherever appropriate, with the county and municipal authorities, and, as occasion makes it possible, we also cooperate with local groups outside of the governmental units.

The purpose of the Federal participation is, first, to prevent spread of pests from one State to another; and second, to work with the States to suppress, and wherever possible to eradicate, the infestation when it occurs as a further protection against areas that are not yet infested.

FEDERAL-STATE GYPSY MOTH ERADICATION PROGRAM

One of the programs that I would particularly like to mention is the cooperative project for eradication of the gypsy moth in the northeastern part of the United States. The committee will recall that the gypsy moth is an introduced pest that has been in this country for a great many years. It has been held in check by State and Federal quarantines and suppression activities, but it has greatly enlarged its area until in the last several years it has covered a sizable part of eastern New York and some areas of northern New Jersey and northern Pennsylvania.

Two years ago, at the request of the Department, supported by the State departments of agriculture and others who were concerned, the committee approved an increase in the budget so that we could join with the States in stopping the further spread of the moth and make an effort to push it back, with eventual eradication as the goal. We made a pretty good start in 1956 with the treatment of about a million acres on the southwestern fringe of the infested area. Last year there was a total of 3,500,000 acres treated.

PROBLEMS ARISING THROUGH USE OF DDT

Some questions were raised as to the incidental effects of the eradication effort. DDT is used at the rate of 1 pound per acre in forested areas, brushland, and where there are shade trees. In general, the people of the Northeast who have gone through depredations of the gypsy moth support the program; the States to the south and west, which lie in the path of the spread of the moth, very strongly support it; and our cooperators in the States are working with us very well. However, there has developed some difference of opinion among areas of the population, especially in the State of New York, and we have pending in the Federal Court for the Eastern District of the State of New York an injunction suit to restrain the Secretary of Agriculture, and the secretary of agriculture and markets of the State of New York, from applying these suppressive measures to certain properties in that State.

The State's attorney and the Federal district attorney have worked very hard on this case, and we think we have a strong case in support of the action taken. We think that the law is sufficiently comprehensive to permit a ruling in favor of the two departments.

Mr. WHITTEN. What action do you plan to take that they are opposing?

Dr. CLARKSON. The action is one of spraying their property with DDT mixture to kill any gypsy moths.

Mr. WHITTEN. What is the opposition based on? Legally I am sure it is a reasonable objection. However, what is the objection, damage to the property, damage to game or fish or fowl, or something of that sort?

Dr. CLARKSON. It is based, as you say, first on whether or not there is the authority to enter such property for such purpose, and on that point the law seems to be clear that there is authority.

The objection is raised on the basis that DDT is a chemical which can be poisonous under certain conditions, and that some persons object to any use of insecticidal chemicals of this kind, and they feel they have the right to be free of any use of such chemicals, even though such use is carefully controlled and may be within safe limits.

Mr. WHITTEN. Is this in a residential area, or in an area of recreation?

Dr. CLARKSON. It is an area of mixed residences and small garden and farm properties, in the suburban areas of the city of New York. The Food and Drug Administration has jurisdiction over materials that may have excessive amounts of DDT or other chemicals contained in them that go interstate. They have tolerances for DDT on a large number of fruits and vegetables. Checks have been made following the spraying and in no case have residues on crops come near to approaching the tolerance established.

PRECAUTIONS TAKEN TO GUARD MILK SUPPLY FROM DDT

One of the real problems is with regard to the milk supply, and we of course have to take very careful measures to avoid DDT in the milk. Last year the Food and Drug Administration felt from the discussions with us as to the care that was being taken and the methods that were being used, that it was not necessary to make any checks on DDT in the milk. Again this year we have discussed with them the

further precautions which we propose to take in order to avoid DDT residue in milk.

FEDERAL AND STATE PARTICIPATION IN PLANT PEST CONTROL PROGRAMS

Mr. WHITTEN. Dr. Clarkson, do you have a table showing each of these control programs, the amount of money the Federal Government puts into it, the amount the States put into it, and such other services that the States may provide? If not, could you provide it?

Dr. CLARKSON. We can provide it.

Mr. WHITTEN. I would like to have it in the record. It has been the subject of much discussion by this committee in years past, and I would like to see how much progress we are making in that regard.

(The document referred to is as follows:)

Cooperative plant pest control programs—Geographic distribution, fiscal year 1957—obligations

SUMMARY

State	Federal	Non-Federal	Total
Alabama	$171,580	$228,333	$399,913
Arizona	464,975	169,814	634,789
Arkansas	125,885	60,852	186,737
California	574,200	1,070,511	1,644,711
Colorado	90,830	114,684	205,514
Connecticut	71,770	131,500	203,270
Delaware	7,412	15,350	22,762
Florida	4,949,444	7,354,404	12,303,848
Georgia	265,975	357,221	623,196
Idaho	82,170	16,755	98,925
Illinois	56,375	36,430	92,805
Indiana	23,590	27,850	51,440
Iowa	56,800	47,800	104,600
Kansas	56,100	51,710	107,810
Kentucky	9,475	20,200	29,675
Louisiana	348,036	572,190	920,226
Maine	44,870	47,250	92,120
Maryland	219,589	35,144	254,733
Massachusetts	69,903	636,000	705,903
Michigan	85,630	135,950	221,580
Minnesota	75,549	32,500	108,049
Mississippi	159,850	164,150	324,000
Missouri	34,710	24,250	58,960
Montana	209,000	351,414	560,414
Nebraska	32,250	16,240	48,490
Nevada	85,430	18,024	103,454
New Hampshire	41,263	127,150	168,413
New Jersey	156,660	166,126	322,786
New Mexico	141,420	161,103	302,523
New York	2,420,590	970,050	3,390,640
North Carolina	189,045	88,685	277,730
North Dakota	35,950	11,240	47,190
Ohio	124,280	73,400	197,680
Oklahoma	56,395	78,757	135,152
Oregon	22,000	10,254	32,254
Pennsylvania	295,667	316,008	611,675
Rhode Island	10,437	123,252	133,689
South Carolina	58,030	38,012	96,042
South Dakota	30,430	14,670	45,100
Tennessee	54,037	52,439	106,476
Texas	840,825	293,403	1,134,228
Utah	75,580	22,370	97,950
Vermont	69,355	17,487	86,842
Virginia	88,225	64,378	152,603
Washington	56,750	21,117	77,867
West Virginia	33,275	40,664	73,939
Wisconsin	65,940	29,660	95,600
Wyoming	179,000	177,755	356,755
District of Columbia	609,950		609,950
Mexico	435,250	1,021,162	1,456,412
Cooperative Rust Laboratory		4,200	4,200
Rust Prevention Association		34,000	34,000
Total	[1] 14,461,752	15,693,868	30,155,620

[1] Includes $987,445 immediately available from 1957 appropriation and obligated for Mediterranian fruit-fly in fiscal year 1956.

Geographic distribution, cooperative plant pest control programs, fiscal year 1957—Obligations

State	Barberry eradication		Burrowing nematode		Citrus blackfly and Mexican fruitfly		European chafer	
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal
Alabama								
Arizona			$7,525	$2,438	$3,800			
Arkansas								
California	$1,658		189		37,410	$151,301		
Colorado	27,700	$8,026						
Connecticut							$1,485	
Delaware								
Florida			334,750	379,825				
Georgia								
Idaho								
Illinois	29,000	12,000						
Indiana	12,000	11,500						
Iowa	49,500	12,400						
Kansas	19,200	7,000						
Kentucky								
Louisiana			5,635		5,028			
Maine								
Maryland	10,773		3,777		4,596		1,456	
Massachusetts								
Michigan	57,600	30,700						
Minnesota	52,103	24,600						
Mississippi								
Missouri	13,100	5,900						
Montana		4,852						
Nebraska	17,000	9,200						
Nevada								
New Hampshire								
New Jersey							45	
New Mexico								
New York							62,685	$59,000
North Carolina							1,300	
North Dakota	5,400	5,200						
Ohio	65,700	21,200						
Oklahoma								
Oregon								
Pennsylvania	89,270	42,008					1,071	
Rhode Island								
South Carolina								
South Dakota	5,700	7,400						
Tennessee								
Texas					119,730	39,750		
Utah								
Vermont								
Virginia	45,226	24,470					430	
Washington	33,200	11,325						
West Virginia	21,620	12,614						
Wisconsin	57,000	19,700						
Wyoming		1,000						
District of Columbia	29,431		15,594		14,115		3,256	
Mexico					179,000	719,699		
Cooperative Rust Laboratory		4,200						
Rust Prevention Association		34,000						
Total	642,181	309,295	367,470	382,263	363,679	910,750	71,728	59,000

Geographic distribution, cooperative plant pest control programs, fiscal year 1957—Obligations—Continued

State	Golden nematode		Grasshopper and Mormon cricket		Gypsy moth		Hall scale	
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal
Alabama								
Arizona			$33,750	$16,701				
Arkansas								
California			119,758	355,433			$74,834	$25,537
Colorado			36,830	87,948				
Connecticut					$56,825	$125,000		
Delaware								
Florida								
Georgia								
Idaho			77,950	12,856				
Illinois			700	800	800			
Indiana			700	1,350	1,000			
Iowa			2,500	35,000				
Kansas			29,300	37,500				
Kentucky								
Louisiana			1,670					
Maine					41,875	45,000		
Maryland	$8,743		12,937		38,759		2,473	
Massachusetts					52,580	626,000		
Michigan			700	250	19,800	79,000		
Minnesota			12,552	3,000	800			
Mississippi				1,500				
Missouri			3,975					
Montana			209,000	346,562				
Nebraska			9,600	3,000				
Nevada			81,230	12,166				
New Hampshire					39,420	121,350		
New Jersey	140				92,420	93,800		
New Mexico			114,220	143,836				
New York	277,200	$244,500			2,044,835	634,845		
North Carolina								
North Dakota			25,600	2,000				
Ohio			700		1,200			
Oklahoma			14,400	45,050				
Oregon			15,900	4,304				
Pennsylvania	4,591				138,214	258,000		
Rhode Island					7,475	110,960		
South Carolina								
South Dakota			19,200	2,000				
Tennessee								
Texas			84,775	194,090				
Utah			67,880	12,243				
Vermont					67,380	10,751		
Virginia						1,300		
Washington			18,350	2,650				
West Virginia						800		
Wisconsin			1,200	1,000				
Wyoming			176,500	175,755				
District of Columbia	24,392		51,492		117,199		5,481	
Mexico								
Total	315,066	244,500	1,223,369	1,496,994	2,720,582	2,106,806	82,788	25,537

Geographic distribution, cooperative plant pest control program, fiscal year 1957—Obligations—Continued

State	Insect Detection and Advisory Service		Japanese beetle		Khapra beetle		Mediterranean fruit-fly	
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal
Alabama	$5,900	$1,528	$340		$600			
Arizona	6,200	1,920			405,100	$119,381		$2,516
Arkansas	8,280	5,262			255			
California	21,528	5,425			290,453	379,200		17,500
Colorado	3,800	3,774			300			
Connecticut	400	1,500	12,900	$5,000	160			
Delaware	500	7,200	6,912	8,150				
Florida	6,770	8,862	340	3,500	1,260	1,200	$4,405,159	6,895,192
Georgia	7,120	5,450	6,260	8,850	770			
Idaho	3,650	2,219				1,680		
Illinois	5,700	6,630	15,240	15,000	2,800			
Indiana	750		8,400	15,000	500			
Iowa	1,000		1,500		1,900			
Kansas	5,000	7,210			2,600			
Kentucky	500	1,500	5,390	18,300	1,000			
Louisiana	7,634	6,231	569		3,504		74,173	
Maine	400	250	1,570	2,000	1,025			
Maryland	8,141	5,144	63,237	30,000	7,649		23,509	
Massachusetts	400	2,000	16,713	8,000	210			
Michigan	750	1,000	5,880	25,000	900			
Minnesota	6,566	4,900	381		2,940			
Mississippi	1,900		225		850	500		
Missouri	5,600	7,350	1,800		2,000			
Montana								
Nebraska	4,650	4,040			1,000			
Nevada	4,200	3,158				1,700		
New Hampshire	400	1,000	1,068	4,800	375			
New Jersey	500	3,000	60,665	63,326	460			
New Mexico					16,000	16,000		
New York	500	5,000	34,940	26,705	430			
North Carolina	7,120	4,500	23,400	8,750	200			
North Dakota	3,950	4,040			1,000			
Ohio	1,430	1,500	52,250	50,000	2,300			
Oklahoma		5,107			1,030	3,500		
Oregon	5,800	3,500			300	2,450		
Pennsylvania	744	5,000	61,050	11,000	627			
Rhode Island	1,505	1,692	1,237	10,600	220			
South Carolina	4,220		2,000	1,400	200			
South Dakota	4,530	5,270			1,000			
Tennessee	6,535		1,260	3,530	50	175		
Texas	10,615	5,291			7,460	1,000		
Utah	5,700	7,570			700	1,144		
Vermont	400	1,200	1,380	5,536	195			
Virginia	4,115	6,858	37,864	31,750	590			
Washington	4,900	4,442			300	2,700		
West Virginia	1,685	4,650	9,770	22,100				
Wisconsin	5,140	8,960	500		2,100			
Wyoming	2,500	1,000						
District of Columbia	98,220		19,230		24,233		104,942	
Mexico					146,250	69,463		
Total	287,848	171,833	454,271	378,297	933,796	600,093	[1] 4,607,783	6,915,208

[1] Includes $987,445 immediately available from the 1957 appropriation and obligated in fiscal year 1956.

Geographic distribution, cooperative plant pest control programs, fiscal year 1957—Obligations—Continued

State	Phony peach and peach mosaic		Pink bollworm		Soybean cyst nematode		Sweetpotato weevil	
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal
Alabama	$4,760	$5,910	$505		$1,350	$458	$25,505	$27,013
Arizona			8,600	$26,858				
Arkansas	12,485	1,890	101,500	52,000	3,000	1,000		
California	20,800	82,180	7,570	54,235				
Colorado	22,200	14,936						
Florida			148,410	4,300	2,445		19,005	18,220
Georgia	27,255	45,320	1,340		1,370		45,595	30,634
Idaho	570							
Illinois	200	1,000			1,185	1,000		
Indiana					240			
Iowa					400	400		
Kentucky					1,985	400		
Louisiana	17,852	3,030	106,474	73,987	2,652		67,549	435,495
Maine								
Maryland	1,966		17,608		813		3,136	
Minnesota			100		107			
Mississippi	480	250	6,610	26,000	2,700	1,100	31,570	35,100
Missouri	450	1,000	3,400		3,785	10,000		
Montana								
Nebraska								
Nevada				1,000				
New Hampshire								
New Jersey								
New Mexico	50	267	11,150	1,000				
New York								
North Carolina			300		41,260	4,900		
North Dakota								
Ohio					700	700		
Oklahoma	300	4,000	40,210	20,000	455	1,100		
Oregon								
Pennsylvania					100			
Rhode Island								
South Carolina	14,310	8,300	160				14,620	7,100
South Dakota								
Tennessee			1,305	3,472	6,930	4,469		
Texas	6,630	8,035	610,030	44,037	200			
Utah	1,300	1,413						
Vermont								
Virginia								
Washington								
West Virginia					200	500		
Wisconsin								
Wyoming								
District of Columbia	5,593		52,870		2,958		9,704	
Mexico			110,000	232,000				
Total	137,201	177,531	1,228,142	538,889	74,835	26,027	216,684	553,562

Geographic distribution, cooperative plant pest control programs, fiscal year 1957—Obligations—Continued

State	White-fringed beetle		Witchweed	
	Federal	Non-Federal	Federal	Non-Federal
Alabama	131, 105	103, 424	1, 515	
Arizona				
Arkansas	365	700		
California				
Colorado				
Connecticut				
Delaware				
Florida	29, 785	43, 305	1, 520	
Georgia	173, 230	266, 467	3, 035	500
Idaho				
Illinois	750			
Indiana				
Iowa				
Kansas				
Kentucky	600			
Louisiana	54, 959	53, 447	337	
Maine				
Maryland	10, 016			
Massachusetts				
Michigan				
Minnesota				
Mississippi	115, 515	99, 700		
Missouri	600			
Montana				
Nebraska				
Nevada				
New Hampshire				
New Jersey	2, 430	6, 000		
New Mexico				
New York				
North Carolina	105, 625	67, 535	9, 840	3, 000
North Dakota				
Ohio				
Oklahoma				
Oregon				
Pennsylvania				
Rhode Island				
South Carolina	18, 405	19, 712	4, 115	1, 500
South Dakota				
Tennessee	37, 957	40, 793		
Texas	1, 385	1, 200		
Utah				
Vermont				
Virginia				
Washington				
West Virginia				
Wisconsin				
Wyoming				
District of Columbia	30, 801		439	
Mexico				
Total	713, 528	792, 283	20, 801	5, 000

Mr. WHITTEN. You may proceed.

Dr. CLARKSON. The budget request contains, for next year, a small increase of $39,300——

PROGRESS IN GYPSY MOTH CONTROL

Mr. ANDERSEN. First, Doctor, let's revert to gypsy moth, please.

Do you see hopes of thorough eradication in the near future?

Dr. CLARKSON. The precautions that we have had to take and the modifications in the program that we found necessary have slowed down the progress of eradication. I think with this year's experience we will find a way to very substantially increase the amount of acreage that can be treated in future years.

Mr. ANDERSEN. Another question: Are you preventing further spread?

Dr. CLARKSON. Yes, sir.
Mr. ANDERSEN. You are holding it within its former boundaries?
Dr. CLARKSON. Yes, sir.

ENFORCEMENT OF FEDERAL INSECTICIDE, FUNGICIDE, AND RODENTICIDE ACT

An increase of $39,300 is requested for our work in the enforcement of the Federal Insecticide, Fungicide and Rodenticide Act.

The committee will recall that with passage of Public Law 518 3 years ago amending the Food, Drug, and Cosmetic Act, it was necessary for the Department of Agriculture to take further responsibilities in the registration of agricultural chemicals. We have kept up with new registrations in terms of coordinating our efforts fully with the actions of the Food and Drug Administration, but we have not been able as yet to go back and pick up the backlog of previously registered chemicals which we know in some instances are not fully in accord with the current findings, and which we think in other instances may require some modification. We have not had the staff to go back and work over the 30,000 registrations covering about 23,000 proprietary products. The labels for each one need to be reviewed and evaluated in the light of a mass of research and field data that is supplied primarily by the distributors in order to determine whether they qualify under the law for registration.

FIRE-ANT PROGRAM

Another item that I would like to comment on under "plant pest control" is the fire-ant project. The committee will recall that in the latter part of the last session, funds were made available to the Department to cooperate with the States to begin a program of control and suppression and eventual eradication of the imported fire-ant, which has established itself in most of the Southeastern States.

We have made a very careful and what we think is a good, solid beginning on this program. We have not moved without the most thorough coordination with the State departments of agriculture, and then with them, have worked out a cooperative arrangement with the counties and parishes, and in some instances with municipalities, before going ahead with treatment in any area. We have urged, and the States have agreed, that there should be in each State an advisory committee, or similar group, set up by the proper authority of the State, and drawn from interests representing the farmers, the city people where they are involved, the fish and game people, the public health people, the Extension Service, and all of the other interests that may be concerned with this problem.

Through that decision it has been possible to tailor the program in each area to the particular needs of the area and to gain a maximum of public understanding, and therefore of public support.

We have not yet treated any very large areas. There are only about 100,000 acres completed, but we have plans well underway, materials and equipment have been gotten together, the States and ourselves have their initial staff, and when this preparation work is completed in additional areas we will be prepared to go ahead with confidence that the results will be in keeping with the purposes of the appropriation.

FIRE ANT CONTROL PROGRAM PRIOR TO 1957

Mr. ANDERSEN. Doctor, why is it that this fire ant problem was not called to the attention of the Congress prior to last year?

Dr. CLARKSON. When the imported fire ant was first discovered and identified in Alabama, nearly 30 years ago, there was not any procedure or method of eradication that gave hope of success.

Research was begun by both the Department and a number of the States, and as time went on, methods were found and improvements were discovered whereby the individual homeowners, farmers, or ranchers, could achieve a considerable measure of control through their own efforts. It was looked upon as a research and education program, and one which the homeowners should handle by themselves.

Then, during the late forties, it was found that a number of the newer insecticides were very effective against this ant, and such information was distributed for local use. Later on, about 4 years ago, the ant began to increase enormously in numbers in the areas that had been infested, and to fill in the scattered areas that had escaped infestation in a good many of the counties of the Southeastern States. The damage being done by the imported fire ant increased enormously during these past 4 or 5 years, as discussed last year in the hearings before the House and Senate Committees on agriculture.

Mr. ANDERSEN. The Department has been cooperating in recent years?

Dr. CLARKSON. We have been cooperating in the dissemination of information, in giving technical advice to States and localities who wish to control the ant, and working through the Extension Service to give advice to farmers and homeowners.

Mr. ANDERSEN. Am I wrong in assuming that this problem down in the South has been needlessly permitted to gain quite a headway? In other words, should not the Department some years back have called this to the attention of the Congress?

Dr. CLARKSON. Well, if it could have been foreseen that it was going to reach the proportions that it has in the last few years, I should say, "yes."

Mr. ANDERSEN. Well, I ask this question because Mr. Marshall and I had the opportunity last November of seeing the ravages created by this pest in South America, and personally I hope that it will never get to any such extent in the United States.

Dr. CLARKSON. That will be our aim, to prevent it from doing so.

Mr. ANDERSEN. I am glad to hear you say that.

DESCRIPTION OF FIRE ANT

Mr. MARSHALL. Dr. Clarkson, would you describe this fire ant for us?

Dr. CLARKSON. Yes, sir. The imported fire ant is a small ant, ranging from one-quarter to three-eighths of an inch in length. Its coloration ranges from red through reddish brown, to black. It lives in mounds which may extend as high as 2 or 3 feet above the surface of the ground and from 2 to 5 feet below the surface of the ground. The mound is honeycombed with galleries and living space for the ants, and a large space is set aside for the broods of young ants, which are carefully tended by the workers.

The ant is one which will eat both vegetable and animal matter. It has been known to destroy the young of quail, and of farmyard poultry. It also has been known to destroy the young of larger animals when they have been dropped helplessly near some of these large mounds.

Tulane University in Louisiana recently made a television film of a case history of an 8-year-old boy in Louisiana who had succumbed to the sting of 3 of these ants and had died within a space of 72 hours. That case is obviously extremely unusual, but it does illustrate the potential danger of the imported fire ant to some persons who happen to be extremely sensitive to the poison injected with its sting. The university has given a good deal of attention to this pest and is performing a good public service in warning the medical profession and people of that area about it.

Mr. WHITTEN. Doctor, I think that we recognize it can become a very dangerous problem unless we take care of it.

Dr. CLARKSON. It can, indeed.

I might add one more thought, that in carrying out this program we are exercising the utmost care to safeguard wildlife, fish and game, and of course the farmers' poultry and livestock.

WITCHWEED

Another one of the plant pests that I would like to mention is the witchweed. This pest, newly introduced from South Africa, has become established in North and South Carolina. We first discovered it a year ago last fall. We established quarantines, and the two States established intrastate quarantines to match them so as to prevent further spread.

Surveys conducted last fall by State and Federal personnel failed to locate any witchweed in any other States, but did find that the area in these two States was considerably larger than had been first recognized.

EXTENT OF INFESTATIONS

There are now known to be infested farms totaling 190,000 acres, including the cultivated lands, the roughlands, the fence lines and roadside properties. Of this there are 40,000 acres of cultivated land that are known to be infested and which must be treated in some way in order to get rid of the infestation.

This plant is a true parasite, and therefore a disease of consequence. It affects corn, sorghums, and a long list of related plants of the grass family. It has the power of reducing almost to the vanishing point the value of a field of corn. The seeds of witchweed will not germinate except in the presence of a host plant, and a few other plants which will cause the seed to germinate but which will not sustain the life of the weed.

After germination the seed sends out rootlets which attach themselves to the roots of the host plant, and gain all needed sustenance from the host plant. After about 3 weeks, the witchweed plant emerges above ground and quickly forms a flowering head and seed. If undisturbed the numbers of seed may range from 100,000 to 500,000 per plant. The seeds are almost microscopic in size. A large number of them on a white sheet will show up much as soot will show

up. They will remain in the soil dormant for as long as 15 to 20 years in the absence of the host plant.

COOPERATIVE PROGRAM PLANNED

So we find ourselves confronted with a very serious pest which has not yet gained a large foothold, considering the large corn areas of this country that it could infest, but one which will be extremely hard to eradicate.

Taking into account the research work that has been done in South Africa, the experiences with the plant in South Africa, in India, and in Australia, where they have had to work with it, and some preliminary research work, and field observations which we have been able to conduct during the past year, we have been able to work out with the States of North and South Carolina an approach to the eradication of this pest. We have not yet formulated the final plans, and we do not have a request before you for appropriations. But if we are able to agree on plans, the eradication program will cost a considerable amount of money.

Mr. WHITTEN. In that connection, Doctor, how long would the seed lay there dormant until it had a chance to germinate?

ERADICATION MEASURES

Dr. CLARKSON. It will lie there dormant from 15 to 20 years in the absence of a host plant. The tentative plans that we are trying to get worked out would call for the planting of a host crop and allowing the seeds to germinate, and as soon as the plants have come to the surface, then to destroy host and weed. Since the seed does not all germinate at one time, which is one of its factors for being able to survive, a proportion of the seed will germinate with this crop, and then a further proportion will germinate with the next crop. Based on the experience of others in South Africa, we feel confident that with a succession of planting crops and destroying them, that the fields can be cleared in a period of 3 to 5 years.

Mr. WHITTEN. That makes it rather an expensive undertaking compared to the value of the land after you once get it clear?

Dr. CLARKSON. Yes, sir.

Mr. WHITTEN. You may proceed.

Dr. CLARKSON. It is a most serious problem, and I wanted to bring it to the attention of the committee because any plan that is worked out will be an expensive one. We are giving it all the study we can. We dare not begin a program of this kind without full discussion with the committee because of the commitments that would be made for future years.

Mr. ANDERSEN. Would an alternative lie in forbidding the planting of crops for 15 or 20 years which could act as host plants to the seeds?

Dr. CLARKSON. I am glad you mentioned that, Mr. Andersen, because we do not believe that it would, under most circumstances. Crabgrass is a host plant. Crabgrass, of course, is native to that area and would grow in any unattended land.

Mr. ANDERSEN. What I had in mind was, could you produce crops during that period which are not susceptible in any way to helping out this disease underneath?

Dr. CLARKSON. Our people who have worked with it think not. If just a few weeds are allowed to come above the surface, as would almost always be the case where a crop of any kind is being produced, we would have new seed coming on even though in small numbers year after year.

Mr. ANDERSEN. Off hand, I would say you are up against a terrific problem.

Dr. CLARKSON. Either planting of host crops and then absolutely clean destruction of everything that comes up, or the destruction with herbicides, seem now to be the two alternatives.

Mr. ANDERSEN. And you would have to take care that no plants were grown on any roadway, any fence lines?

Dr. CLARKSON. We think that such plants can be controlled with herbicides.

Mr. ANDERSEN. Would it be possible to develop some sort of a fumigant?

Dr. CLARKSON. We are working on that and have made some trials, but we have thus far not found any of the usual fumigants to be fully effective. I would like to mention the activities under the contingency fund during this fiscal year.

WITHDRAWALS FROM CONTINGENCY FUND

We have thus far withdrawn from the contingency fund, which as the committee will recall totals $1 million the sum of $800,000 for use during this fiscal year for the following programs: $330,000 for the quarantine and survey on witchweed; $280,000 for the soybean cyst nematode problem; $135,000 for the khapra beetle program; and $55,000 for the Mediterranean fruitfly eradication program. The committee will recall that last year an effort was made to anticipate all of the needs that we could on each of these programs, and with regard to the khapra beetle and the Medfly for example, sufficient money was appropriated to take care of all the survey and quarantine work, and such of the eradication work as we then knew confronted us. But the contingency fund was left available for unforeseen outbreaks that might occur during the year.

MEDITERRANEAN FRUITFLY

With regard to the Mediterranean fruitfly, the last fly was caught on November 26. We finished the treatment of the area involved in that catch the last of January, and we now have no area of Florida under Federal quarantine, and no area under treatment. We will maintain 23,000 traps scattered throughout the State, and of course we will keep up the surveillance for some time to come.

Mr. WHITTEN. I notice you plan to take over quarantine work in Florida, and there is a $100,000 increase for that purpose.

Dr. CLARKSON. Yes, sir.

Mr. WHITTEN. Is that necessary, or is it going to lead to the same thing in California, with the Federal Government taking on the whole job?

FINANCING PLANT QUARANTINE WORK IN FLORIDA

Dr. CLARKSON. It is necessary, Mr. Chairman. The job of foreign-plant quarantine has been looked upon as a Federal responsibility, but in these two states, Florida and California, for many years the State governments have volunteered to finance the greater part of the activity. Last year, the State of Florida informed us that they could no longer support this cost and asked us to take it over as of July 1, 1957. We told them that we had not had an opportunity to request consideration of this by Congress, and urged them to continue for at least another full year so that preparation could be made for taking over the work.

Mr. WHITTEN. I notice from the justification, Florida intends to use that money to increase work on burrowing nematode, the white-fringed beetle, and the fire ant. Should your funds be reduced if they take over a bigger load in that connection?

Dr. CLARKSON. These funds will allow the State of Florida to carry a greater share of the load in that State on these three programs. With regard to the burrowing-nematode program, that involves Florida primarily. We have only survey and inspection work in other States. And there it is a problem of trying to get a job done with the approval by both the State and Federal Governments.

With the other two programs, the white-fringed beetle and imported fire ant, we are involved with several States, and to the extent that we do not have to spend money in Florida, we will be able to do more work in the other States.

FUNDS FOR CUSTOMS SERVICE

The other request in regard to the plant-quarantine work is for an additional amount of $150,000 to turn over to the Bureau of Customs so that they can keep up with the steadily increasing workload in the examination of passengers' baggage and parcels coming into the United States from abroad, to guard against diseases and pests of plants and animals. In that regard, Mr. Chairman, if it would be agreeable, I would like to suggest that the table on page 24 of the notes might be placed in the record.

Mr. WHITTEN. We will be glad to have that put in the record at this point.

(The table referred to is as follows:)

Overall inspection workload trend

Inspections	Fiscal year 1956	Fiscal year 1957		Fiscal year 1958 (estimated)	
	Number	Number	Percent increase over 1956	Number	Percent increase over 1957
Airplanes	97,351	110,944	14	120,000	8
Vessels	54,712	58,341	7	62,000	6
Vehicles from Mexico	17,262,188	18,453,115	7	19,500,000	6
Baggage, airborne, pieces of	5,880,433	7,535,088	28	10,000,000	33
Baggage via auto and rail from Mexico	4,640,249	4,787,488	3	4,900,000	2
Containers of plant material inspected and certified for export	23,459,525	25,410,791	8	27,500,000	8

Dr. CLARKSON. The table shows the scope of the steadily increasing work in this field.

Mr. WHITTEN. What evidence do you have that the transfer of this $900,000 for this year has improved the service?

INCREASE IN INTERCEPTIONS OF PROHIBITED MATERIAL

Dr. CLARKSON. In the first full year of return to complete baggage inspection following the appropriation of additional funds, there was an increase of 18.8 percent of the number of interceptions of plant materials that were either completely prohibited or restricted entry in this country, and an increase of 51 percent in interception of lots of prohibited and restricted meats and meat products coming into this country.

Mr. WHITTEN. Is that by individual passengers?

Dr. CLARKSON. This is entirely by individual passengers. There is a scattering of intentional effort to bypass, and in those cases we have been able to work quite successfully with the Bureau of Customs.

PUBLICIZING QUARANTINE REGULATIONS

Mr. WHITTEN. A few years ago this committee pointed out that the notice given to passengers returning to the United States is inadequate about prohibited fruits and vegetables. We suggested that this be revised so that a proper notice could be given to the passenger.

I would like to know what you think about the wisdom of requiring such notices to be given by the common carriers in a double effort to see that travelers have full knowledge of requirement. I do not believe that most of these people would bring in a limited amount of fruit if they knew it was in violation.

And I will carry it further and ask if some small fine or penalty, with a big printed warning, either before leaving the United States or before they return from overseas, would be appropriate.

Dr. CLARKSON. Following the discussions with the committee, we have been working hard on this problem, and the first thing that the chairman mentioned, the notice that is given to persons who are considering coming into this country, along with other customs information, has been revised and put in a form that should be understandable and should be readily noticed by such persons. I have here a rather comprehensive file of actions that have been taken. Some of these were placed in the record last year. Since that time we have worked further with the shipping companies and airlines to induce them to bring this to the attention of passengers personally at the time they buy their tickets or at the time they board the ship or plane.

Mr. WHITTEN. We won't include those in the record at this point again, but I believe it would be well for you to amplify your statement so as to give in detail what you are doing at the present time.

Dr. CLARKSON. I would be glad to do so. We have made a film which the transportation companies feel is good enough to show as an entertainment film on board their vessels, which we think will help in this.

(A statement of the various actions taken follows:)

NOTICES

1. Customs Hints, a leaflet issued by the customs service for the information of persons entering the United States and containing conspicuous references to plant and animal quarantine regulations is being widely distributed to travelers.

2. Consular officers in foreign posts who have occasion to issue visas and other travel documents have been requested by the Department of State to bring Custom Hints to the attention of persons traveling to the United States.

3. The customs baggage declaration form was revised to include a conspicuous warning with respect to restrictions on the entry of fruit, other plant material, meat and meat products.

4. A baggage declaration referring specifically to plants and plant products must be executed by ships' passengers en route from Hawaii to the continental United States.

5. Conspicuous warning signs have been placed at all major ports of entry along the Mexican border referring to restrictions on the entry of plant material into the United States.

6. Similar signs have been placed in the air terminals in Hawaii, Puerto Rico, and the American Virgin Islands. Informational exhibits of plant pests have been placed in the foyers of terminals at the International Airport and Hickam Field, Honolulu. The feasibility of placing warning signs at foreign airports has been explored. In view of the fact that the signs would have to be worded in several languages, requiring considerable space, and considering the necessity of obtaining permission from the appropriate authorities in each foreign country concerned to place and maintain them, and other obstacles, this practice does not appear to be workable at the present time. It is believed, however, that the following alternative will accomplish the same purpose just as effectively.

7. The possibility of having some of the overseas airlines make announcements or distribute statements on agricultural quarantines to passengers shortly before landing in the United States is being explored. One airline has agreed to distribute a statement along the following lines, printed in Norwegian, German, French, and English, to its passengers:

"Because there is a risk of introducing more destructive plant and animal pests from abroad, the United States Department of Agriculture requests your help in safeguarding against that risk. All fruits, vegetables, or meat products brought aboard the airplane with you should be entirely consumed before reaching Los Angeles or given to the stewardess who will place them in a container for proper disposal by the agricultural inspector upon arrival. All plants, cuttings, bulbs, or seeds, as well as fruits, vegetables, or meat products in your checked baggage, should be declared to the customs officer when your baggage is inspected. Some kinds of plant material are permitted entry and an inspector of the Department of Agriculture will be available to advise you in this regard during customs inspection of your baggage."

8. A card notification of restrictions on the movement of fruits and vegetables from Hawaii to the mainland is placed in each stateroom of the Matson Line vessels making this voyage.

9. Regulations and orders of the armed services specifically cover restrictions on the entry of plant and animal materials. (Army Regulation No. 42–40; AR No. 55–161; Navy Dept. G. O. No. 20; Air Force Regulation No. 160–26; AFR No. 75–57; and AFR No. 76–29.)

GENERAL INFORMATIONAL ACTIVITIES

1. Magazine articles on the subject have appeared in popular national publications and in trade journals. Among them were the following:

They Fight an Endless Invasion, Saturday Evening Post, October 10, 1953

Uncle Sam's Ark, Saturday Evening Post, December 3, 1955

Plant Quarantines Protect Against Alien Plant Pests, picture story No. 98, Office of Information, USDA

Preshipment Inspection Brings Better Bulbs to American Gardeners, Foreign Agriculture, April 1956

Plant Quarantine Laws Help Keep Our Gardens Healthy, Flower Grower, November 1956

En Garde Against Foreign Plant Pests, ACCO Press, November 1956.

There have also been comprehensive articles on both animal and plant quarantines in newspaper Sunday supplements and in the daily press.

2. Radio broadcasts. Opportunities are being taken to discuss agricultural quarantine restrictions on radio programs.

3. Working with the Air Coordinating Committee the Department keeps before representatives of the overseas air carriers the requirements of animal and plant quarantine for baggage, cargo, and stores. Information on agricultural quarantine is thus passed directly to airline operators through their representatives and indirectly to them through official channels of this Government and the International Civil Aviation Organization for the benefit of their passengers and the shippers of agricultural products. Local committees on air facilitation, on which animal and plant quarantine inspectors are members, are functioning at the larger international airports.

4. Pamphlets issued by certain airlines operating overseas, including PAA, Delta, BOAC, Air France, KLM, TWA, and NWA, also contain information on agricultural quarantine restrictions. Efforts are being made to have this practice adopted by additional airlines.

5. The USDA Yearbooks for 1952, 1953, and 1956 contain comprehensive articles on plant and animal quarantine restrictions.

6. Agricultural attachés destined for foreign posts are thoroughly briefed on agricultural quarantine restrictions in order that they may in turn inform travelers to the United States on this subject.

7. Plant and animal quarantine restrictions have been the subject of talks made before civic organizations, churches, schools, societies, and other groups. Animal and plant quarantine inspectors at the port of New York give talks before the customs inspectors' school setting forth agricultural quarantine restrictions.

8. A series of 30 kodachrome slides depicting plant quarantine activities, accompanied by a brief statement and legend for the slides, has been prepared. Sets have been distributed to extension entomologists throughout the country for use in lectures and discussions on plant quarantines. Additional sets will be distributed both in this country and abroad.

9. Sets of 50 kodachrome slides on agricultural plant quarantine activities with appropriate legend have been distributed to key field personnel of the Plant Quarantine Division for use in connection with lectures and discussions on the subject.

10. A motion picture, The Hidden Menace, has been prepared, emphasizing the danger of new agricultural pests being brought in with plant material and animal products carried in passengers' baggage. The picture is both entertaining and instructive and has proven very popular. It has been shown to representatives of steamship lines who have agreed to have it shown aboard their vessels during voyages. The picture also will be shown widely in the United States and abroad.

How Medfly Gained Entrance Into Florida

Mr. Whitten. There is one further thing. You state on page 26 of the justification, Mediterranean fruitfly apparently was introduced in Florida during the period when spot check inspection was in effect. What evidence do you have of that?

Dr. Clarkson. The fly was found first in an area near the city of Miami, where there is a very large port and international airport. All of the evidence points to the infestation in the remainder of Florida having spread from that first infestation. It spread very rapidly from the time it was found, giving evidence that the fly acclimates itself very quickly to Florida, and that it had not been there in quiescent state for any substantial length of time. We think that it was found within 6 to 9 months of the time it came into the State, and since its first finding was so close to this busy port and international airport, through which people were passing frequently from areas of South America and from southern Europe where the Mediterranean fruitfly abounds, and that the customs at that time did not have the financing to give a full inspection to passenger baggage, it is quite likely that some passengers had brought in some fruit and

found it spoiled, and then it had been discarded, not realizing what the danger might be.

QUARANTINE COSTS COMPARED WITH LOSSES FROM FOREIGN PESTS AND DISEASES

Mr. WHITTEN. I would like some further comment on the point that has been raised here concerning the various notices that you have given, and various methods used to make all passengers returning to the United States aware of these various fruits that are a serious threat to the United States. I would like for you to put in the record, if you can, the amount of money, say, in the last 10 years that has been spent in efforts to control these various diseases that have apparently come in, including the fruitfly and various other pests. Also show the damages that have been done, and the number of interceptions that we have made.

I would also like to have you show the amount of money that we have spent as a nation trying to keep these pests out through inspection. And once that is brought together, I think it would clearly show a need to perhaps impose some fine on any individual who might, in spite of your warnings, negligently continue to bring in these fruits and vegetables and other things.

By next year, we will have another year's history to determine whether we should recommend that some punitive action be authorized by law.

Dr. CLARKSON. I would be very glad to, Mr. Chairman. And could I inquire, since in this general field we work closely with Canada and Mexico in cooperating with them to keep foreign diseases and pests out of the whole of North America, whether you would think that would be appropriate, too?

Mr. WHITTEN. I believe that would be.

Some of the members of the committee have been in some foreign countries. We have seen the great percentages of lands which are diseased to the point they are no longer usable for the crop for which best suited. And yet in our country, as young as we are in history, it seems that we have gone further down that road, in spite of our efforts, than other countries did in an equal period of time.

I realize that this would entail some work, but I imagine the figures are fairly accessible to you; are they not?

Dr. CLARKSON. I think so.

Mr. WHITTEN. We would be pleased to have that information, if it is where you can obtain it.

Dr. CLARKSON. We would be glad to.

(The information requested is as follows:)

COSTS OF CONTROL OPERATIONS AGAINST INTRODUCED PESTS

During the past 10 years, the Federal Government has conducted control or eradication programs against introduced plant pests which have become established to some extent in this country. The amount expended for these programs approximates $54.6 million.

The following tabulation shows the programs currently being conducted against introduced plant pests, and compares the total control obligations during the 10-year periods, 1948–57, with the value of the crops protected for the 1 year, 1957.

[In thousands]

Program	Total obligated, 1948–57	Crops protected	Value of crops protected, 1957
Barberry eradication	$6,072	All small grains	$2,551,361
Burrowing nematode	550	Citrus	340,217
European chafer	202	Attacks roots of many crops and grasses.	(1)
Citrus blackfly and Mexican fruitfly.	2,723	Citrus	340,217
Golden nematode	3,441	Potatoes and tomatoes	641,768
Gypsy moth	8,159	Forests and shade trees	(2)
Hall scale	1,073	Stone fruits	170,798
Japanese beetle	4,630	Attacks a wide variety of crops	(1)
Khapra beetle	1,735	Stored grain	8,613,496
Mediterranean fruitfly	4,704	Attacks a great number of fruits and vegetables across the South and California.	[3] 2,000,000
Pink bollworm	11,613	Cotton	2,041,153
Soybean cyst nematode	104	Soybeans	1,004,934
Sweetpotato weevil	2,242	Sweetpotatoes	71,427
White-fringed beetle	7,380	Attacks 385 species of plants including some of the most valuable commercial crops.	(1)
Witchweed	20	Corn and sorghums	4,632,774
Total control costs of above programs.	54,648		

[1] No estimate available.
[2] About 138,000,000 acres of hardwood forest lands.
[3] Believed to be a conservative estimate.

Examples of these introduced pests, their potential damage, and the actions taken to combat them follow:

1. The soybean cyst nematode was discovered for the first time in this country in North Carolina in 1954. Subsequently, infestations were found in Tennessee, Mississippi, Arkansas, Missouri, and Kentucky. Surveys are being made to find all areas of infestation in the United States, and regulatory procedures are established to preclude further spread. The cyst nematode could cause widespread damage to the soybean crop, which is valued at approximately $1 billion.

2. The golden nematode, which was found for the first time in this country in 1941, is still confined to a small acreage on Long Island. Survey and regulatory procedures are affording protection to this country's half-billion-dollar potato crop.

3. Following the discovery of the Mediterranean fruitfly in the Miami area of Florida in the spring of 1956, the State and Federal Governments took immediate action. This destructive insect threatened fruit and vegetables throughout the South if not brought under control. Florida citrus growers estimated that it would have cost them more than $20 million a year to live with this insect. The outlook for the complete eradication of this pest is excellent. No Medflies have been trapped in the State since late November of 1957.

For fiscal year 1958, Congress appropriated $2,400,000 to initiate a program against the imported fire ant, which has become an extremely destructive and annoying pest in many parts of the South.

QUARANTINE OPERATIONS

The quarantine inspection service is organized to guard against the introduction of foreign diseases and pests. If such diseases and pests do find their way into the country, they are dealt with through area quarantine control and eradication procedures. If timely action is taken, it is frequently possible to eradicate or to confine them to relatively small geographical areas and thus protect important segments of our agricultural production.

In the 10-year period since 1947, plant pests threatening important United States crops, forests, and ornamental plants were intercepted at ports of entry 182,273 times, and during that same period there were nearly 2 million interceptions of unauthorized plant material. Many of the world's most destructive insects, plant diseases, and nematodes were stopped at our borders hundreds of times.

Many dangerous foreign animal diseases have been kept out of the United States by strict enforcement of inspection and quarantine regulations. Among the diseases nonexistent in the United States which could cause tremendous monetary losses should they be introduced and become established are foot-and-mouth disease, rinderpest, fowl plague, African swine fever, dourine, glanders, and lethal forms of Newcastle disease.

During the 10-year period 1948–57, approximately 3.5 million animals were inspected and passed for importation, and 20,520 were refused entry. Since 1953, 55,544 lots (303,434 pounds) of prohibited and/or restricted meats were seized and disposed of in accordance with Department regulations. In addition, many thousands of pounds of meats and other prohibited items were seized along the Mexican border during the enforcement of the quarantine against foot-and-mouth disease, and more than 2,600 stray or smuggled animals were seized and destroyed.

The Federal appropriations for the plant-quarantine work during the 10-year period 1948–57 total approximately $27 million; and for animal import-export inspection and quarantine activities during the same period about $5 million.

The following table illustrates the continuing threat to our agriculture represented by plant diseases and pests, and their potential importance if they should be introduced:

Examples of protection given by plant quarantines, fiscal years 1948–57

Pest	Number of times intercepted, fiscal years 1948–57	Host crops in United States	Value of crop in United States, 1957 [1]
Golden nematode	717	Potatoes	$408, 329, 000
		Tomatoes	233, 439, 000
Citrus canker	760	All citrus species	340, 217, 000
Citrus blackfly	249	do	340, 217, 000
Asiatic rice borer	153	Rice	217, 087, 000
Durra stem borer	156	Corn	4, 021, 146, 000
		Broomcorn	10, 680, 000
Avocado weevils	949	Avocados	10, 870, 000
Avocado seed moth	274	do	10, 870, 000
Cherry fruitfly	252	Cherries	47, 997, 000
Mediterranean fruitfly	1, 214	179 fruits, vegetables, and other hosts	[2] 2, 000, 000, 000
Oriental fruitfly	284	129 fruits, vegetables, and other hosts	[2] 1, 750, 000, 000

[1] Figures from report published by Crop Reporting Board, Agricultural Marketing Service, Dec. 17, 1957.
[2] Complete figures on value in the United States of the many and varied crops attacked by Mediterranean and oriental fruitflies not available. The estimates shown are believed to be conservative.

In addition the Department cooperates with neighboring countries in bringing uniformity into quarantines, and joins with Canada and Mexico in the eradication or suppression of insect and livestock pests and diseases which are of importance to the United States.

Notable examples of cooperation between this Department and the Canadian and Mexican Governments to prevent spread of foreign diseases and pests into this country are the programs against foot-and-mouth disease, pink bollworm of cotton, citrus blackfly and Mexican fruitfly. For example, during the period 1947–55, the Department cooperated with the Mexican Government in eradicating foot-and-mouth disease in Mexico at a cost in excess of $134 million, and during 1952–53 over $680,000 was expended in cooperation with Canada to assist in the eradication of this same disease in that country.

JUSTIFICATION DATA ON PLANT QUARANTINE

Mr. CLARKSON. Mr. Chairman, on the quarantine problem, if pages 91 through 94 of the notes may be put in the record, those will be found useful.

Mr. WHITTEN. We will be glad to have them.

(The document referred to is as follows:)

PLANT QUARANTINE

1. *More thorough baggage inspection gives added protection against foreign pests.*—Arrangements were made with the Customs Service, effective July 1, 1956, whereby this Department provided $825,000 for fiscal year 1957 to permit customs to hire enough additional inspectors to examine all incoming passengers' baggage. The arrangement paid big dividends in protection against the entry of foreign agricultural pests. During fiscal year 1957 a total of 290,742 lots of unauthorized plants and plant products were intercepted at the ports. The majority of this material was taken from passengers' baggage and much of it bore destructive pests not known to occur in the United States. This represented an increase of 18.8 percent over the 244,566 lots intercepted in fiscal year 1956 when "spot check" examination of baggage was practiced at most ports of entry.

2. *Destructive foreign pests of many major crops intercepted.*—Interceptions of destructive plant pests at our borders during fiscal year 1957 included many of the world's most important pests of ornamentals, forest, corn, cotton, fruits, vegetables, and other major crops. Many destructive species were taken on numerous occasions, including the Mediterranean fruitfly, 62 times; citrus canker, 60; black spot of citrus, 131; melon fly, 15; oriental fruitfly, 17; golden nematode, 83; West Indian fruitfly, 166; olive fruitfly, 13; durra stem borer, 10; khapra beetle, 18; and pink bollworm, 42.

3. *Export certification at all-time high.*—One of the most rapidly expanding plant quarantine activities is the inspection and certification of American-grown plants and plant products for exportation. Efforts to dispose of agricultural supplies in this country have heightened interest in foreign markets. During the fiscal year 1957, 48,646 certificates were issued covering 25,410,791 lots of domestic plants and plant products, as compared with 45,470 certificates covering 23,459,525 lots in fiscal year 1956. They were issued at 52 different ports and covered 111 different commodities consigned to 123 different countries.

4. *Survey for Mediterranean fruitfly in the West Indies.*—Finding the Mediterranean fruitfly in Florida in 1956 suggested that the pest might also occur in nearby islands of the West Indies. During the fall of 1956 an extensive survey for the Mediterranean fruitfly was made in the West Indies in cooperation with the islands concerned. The islands surveyed included: Jamaica, Bahama Islands, Cuba, Isle of Pines, Dominican Republic, Puerto Rico, United States, Virgin Islands, Antigua, St. Kitts, Nevis, Guadaloupe, Martinique, and Trinidad. No evidence of the Mediterranean fruitfly was found in any of the areas surveyed.

In addition to establishing the apparent absence of the Mediterranean fruitfly in the islands, the survey yielded other important benefits:

(*a*) Information was gained on pest conditions in the West Indies which will be of material value in administering plant quarantine regulations affecting products from that area.

(*b*) Local officials were trained in trapping methods, and encouraged to continue the survey. This may serve to forewarn us of the pest's appearance in these nearby islands.

(*c*) Agricultural officials of the West Indies were made more conscious of the danger of the introduction of such pests from other parts of the world. Any new pests introduced into the islands would represent an additional threat to this country.

(*d*) The excellent relationships developed with officials in the islands will be helpful in cooperative work needed on any future pest problems that may occur.

5. *Training emphasized as means of increasing effectiveness of inspection.*—The continued increase in foreign traffic and the added threat of pest entry associated with it have emphasized the need for an efficient plant quarantine inspection staff. To meet this need, new inspectors recruited during the past year were assigned directly to the Plant Quarantine Training Center in New York where they were given 6 months' intensive training in both the technical and regulatory aspects of plant quarantine enforcement. The benefits of this training were immediately apparent when the new inspectors assumed their regular duties.

Specialized training in nematology, with emphasis on its plant quarantine aspects, was also given during the year to 21 inspectors. This training which

will be passed on to their associates, will materially strengthen protection against the entry of injurious nematodes and expedite the handling of suspected importations on the mainland and in Hawaii and Puerto Rico.

6. *Interagency planning to cope with rapid expansion of air traffic.*—Consultations with other Government agencies and the airline industry indicate a conservatively estimated annual increase in foreign air travel of 20 percent or more for the next 5 years. Heavy increases in air cargo arrivals are expected to continue. Interagency studies, in association with the air carriers, were begun looking to the most effective manpower utilization by the border clearance agencies in order to hold personnel increases to a minimum in planning for this rapidly expanding workload. The close cooperation between customs and agriculture inspectors is important in maintaining a defense against pest entry. Adequate training of inspectors likewise is essential.

7. *Foreign traffic again sets new record in fiscal year 1957.*—The threat of new pests being brought into the country continued to grow more serious in fiscal year 1957 as foreign travel by plane, vehicle, and automobile reached new peaks. As shown by the following comparative data, there were also significant increases in other major plant quarantine activities. There is every indication that imports and exports of agricultural products, foreign travel and other possible means of pest entry will continue their upward trend for some years to come.

Plant quarantine workload data fiscal years 1956 through 1958

	Fiscal year 1956	Fiscal year 1957	Fiscal year 1958 (estimated)
Inspection:			
Airplanes, approximately 38 percent carrying unauthorized plant material in 1956 and 1957	97,351	110,944	120,000
Vessels arriving, approximately 30 percent carrying unauthorized material in 1957	54,712	58,341	62,000
Cargo importations of plant material under permit	77,617	68,861	75,000
Shipments of plants and plant products inspected or treated and certified for movement from Hawaii and Puerto Rico to the mainland	15,407	15,516	16,000
Lots of cut flowers and leis for movement from Hawaii to the mainland	474,645	461,981	475,000
Lots of plant material treated or cleaned	1,715,050	1,969,062	2,100,000
Freight cars from Mexico	101,167	106,355	110,000
Foreign mail parcels	[1] 7,500,000	7,779,620	8,000,000
In cooperation with Customs:			
Vehicles from Mexico	17,262,188	18,453,115	19,500,000
Baggage, airborne, pieces of	5,880,433	7,535,088	10,000,000
Baggage with surface-borne passengers from Mexico	4,640,249	4,787,488	4,900,000
Baggage with ships' passengers, number of pieces	3,116,675	3,281,556	3,500,000
Interceptions:			
Unauthorized plant material, all sources	244,566	290,742	300,000
Lots of insects and plant diseases of plant quarantine significance, all sources	17,504	15,058	17,000
Export certification:			
Lots of domestic plants and plant products exported	23,459,525	25,410,791	27,500,000
Export certificates issued	45,470	48,646	52,000

[1] Estimated.

Animal Disease Control

Dr. Clarkson. Now under "animal disease control and eradication," pages 95 through 103 of the notes, cover the various programs in considerable detail.

(The material referred to as follows:)

Animal Disease Control

Current activities: Measures are devised to exclude from this country communicable animal diseases of foreign origin; to prevent the spread of communicable diseases through interstate shipments of livestock or distribution of impure or impotent veterinary biologics; to control and eradicate livestock diseases; and to maintain, through a marketing agreement with manufacturers and han-

dlers, adequate supplies of hog cholera virus, serum, and vaccine for protection of swine.

SELECTED EXAMPLES OF RECENT PROGRESS

Animal disease control and eradication

1. *Progress in tuberculosis eradication program continues.*—(*a*) Tracing procedures to locate infected herds prove successful: Such tracings may stem from animals that show lesions of tuberculosis on post mortem examination at slaughter plants, those that react to tuberculin tests in herds to which they have been moved, and followup on animals that have been exposed to tuberculosis and removed from infected herds. There has been increasing activity in all of these segments of the program.

(*b*) Method of animal identification and recording of movements through markets improved: The nationwide uniform ear-tagging plan (a plan of numbering tags to eliminate duplication of numbers) has been adopted in 21 States; 16 other States expect to adopt the plan within a short time. Recording systems have been developed in some States whereby a diseased animal can be readily identified by ear-tag numbers with the herd where the tag was inserted. Other States are considering procedures that will improve their animal identification program and thus facilitate the tracing of diseased animals.

(*c*) A comparison of funds provided by the Federal Government and cooperating States and counties for the eradication of tuberculosis for the fiscal years 1957 and 1958 follows:

	1957		1958	
	Federal Government	Cooperators	Federal Government	Cooperators
Operating funds	$1,448,880	$3,659,001	$1,636,500	$4,165,077
Indemnity payments	358,988	905,970	380,000	756,699
Total	1,807,868	4,564,971	2,016,500	4,921,776

(*d*) Tables III and IV show the average State and Federal indemnity payments and other data pertaining to the program for control and eradication of tuberculosis:

TABLE III.—*Statement of comparative testing, herds and cattle under supervision, modified accredited areas, average appraisal, salvage, and State and Federal indemnity in tuberculosis eradication work, fiscal years 1935 to 1957, inclusive*

Fiscal year	Tests conducted		Reactors found	Percent infection	Under supervision		Modified accredited areas [1]	Average during year			
	Herds	Cattle			Herds	Cattle		Appraisal	Salvage	State indemnity	Federal indemnity
1935	2,378,668	25,237,532	376,623	1.5	6,590,863	48,768,627	2,428	$57.55	$15.19	$15.87	$18.70
1936	1,944,624	22,918,038	165,496	.7	6,515,273	59,907,935	2,921	77.66	26.50	10.18	22.44
1937	961,109	13,750,308	94,104	.7	6,745,471	61,640,711	3,030	86.04	28.94	12.20	22.72
1938	1,007,586	14,108,871	89,359	.6	6,471,538	62,640,358	3,124	86.76	32.16	16.41	18.12
1939	750,806	11,186,805	60,338	.5	6,372,720	60,439,030	3,142	89.01	34.49	18.96	15.97
1940	819,408	12,222,318	56,343	.46	6,191,330	61,570,426	3,148	91.05	37.12	20.44	16.20
1941	777,435	12,229,499	40,702	.3	6,235,198	62,696,167	3,151	96.50	40.99	20.95	16.48
1942	681,504	10,983,086	28,008	.26	6,320,006	63,073,213	3,151	109.69	50.35	21.49	16.55
1943	563,413	9,308,936	17,167	.18	6,317,670	63,846,496	3,151	135.19	65.03	27.50	18.75
1944	524,927	8,894,466	18,338	.2	6,153,069	64,519,652	3,151	154.53	59.93	36.07	21.72
1945	484,749	8,105,480	19,534	.24	6,120,528	64,790,921	3,151	161.32	59.78	40.31	22.71
1946	505,296	8,454,463	19,464	.23	6,035,783	65,981,099	[2] 3,150	174.20	69.00	37.26	23.89
1947	515,517	8,312,919	16,666	.2	6,082,666	65,577,421	3,150	199.46	83.55	40.81	24.19
1948	523,924	8,294,423	15,943	.19	6,044,170	66,246,215	3,150	234.60	119.74	38.53	23.90
1949	536,162	8,737,501	17,007	.19	5,985,215	65,419,332	3,150	285.78	139.46	37.68	24.72
1950	539,799	9,439,811	17,733	.19	5,991,703	65,443,353	3,150	272.87	123.24	43.40	25.05
1951	503,933	8,847,228	12,353	.14	5,808,062	64,824,960	[3] 3,149	323.70	174.64	43.59	24.92
1952	488,769	9,164,265	10,351	.11	5,798,865	64,791,861	3,149	346.13	174.05	46.15	25.66
1953	463,159	9,675,245	10,811	.11	5,688,183	67,423,940	3,149	309.47	117.31	49.22	26.12
1954	478,975	10,234,665	10,886	.11	5,681,947	67,937,276	3,149	250.92	82.18	43.76	26.60
1955	417,683	9,210,810	11,133	.12	4,669,733	79,567,058	3,149	235.10	77.63	45.24	25.28
1956	418,059	9,220,244	14,363	.15	4,645,342	86,869,478	[4] 3,148	246.52	89.43	39.97	25.60
1957	414,162	8,976,409	13,974	.16	4,229,996	85,272,126	[5] 3,150	255.69	94.06	38.44	25.78

[1] Includes Puerto Rico and the Virgin Islands.
[2] Reduction is due to consolidation of 2 counties.
[3] Reduction is due to fact no cattle under supervision in District of Columbia.
[4] Reduction is due to consolidation of 2 counties in South Dakota.
[5] Increase is due to addition of a new county in New Mexico and also includes Alaska

TABLE IV.—*Summary of bovine tuberculosis eradication in cooperation with the various States, fiscal year 1957*

State	Herds tested	Cattle tested	Infected premises	Percent infected	Reactors found	Percent reactors
Connecticut	6,545	155,200	56	0.08	90	0.058
Maine	4,640	65,984	8	.02	18	.012
Massachusetts	9,256	174,647	47	.05	66	.038
New Hampshire	7,028	100,847	5	.01	7	.007
New York	25,685	742,011	254	.10	664	.089
Rhode Island	1,512	25,677	26	.17	32	.125
Vermont	6,318	181,311	25	.04	53	.029
Total, area 1	60,984	1,445,767	421	.07	930	.064
Delaware	1,941	48,163	17	.09	24	.050
Kentucky	4,678	63,919	17	.36	27	.042
Maryland	10,434	257,663	73	.70	167	.064
New Jersey	7,156	205,412	157	2.19	214	.104
Pennsylvania	27,026	438,894	153	.57	485	.110
Virginia	8,129	216,198	19	.23	42	.019
West Virginia	5,232	57,348	18	.34	50	.087
Total, area 2	64,596	1,287,597	454	.70	1,009	.078
Illinois	16,364	387,216	322	1.97	531	.137
Indiana	16,250	188,602	361	2.22	834	.442
Michigan	26,444	491,900	2,031	7.68	3,493	.710
Ohio	20,557	270,387	187	.91	267	.099
Total, area 3	79,615	1,338,105	2,901	3.64	5,125	.383
Iowa	22,777	491,394	577	2.53	780	.159
Minnesota	17,656	292,665	70	.40	167	.057
Nebraska	1,795	44,867	31	1.73	85	.189
North Dakota	774	20,927	103	13.3	356	1.70
South Dakota	2,867	138,669	42	1.46	70	.050
Wisconsin	35,570	923,020	462	1.30	1,250	.135
Total, area 4	81,439	1,911,542	1,285	1.58	2,708	.142
Idaho	1,548	19,367	2	.13	2	.010
Montana	1,301	37,357	3	.23	3	.008
Nevada	339	5,301	0	0	0	0
Oregon	18,558	188,065	24	.13	77	.041
Utah	1,928	12,553	3	.16	3	.024
Washington	1,844	49,334	21	1.14	79	.160
Wyoming	2,563	30,424	3	.12	3	.010
Alaska	124	2,411	0	0	0	0
Total, area 5	28,205	344,812	56	.20	167	.048
Arizona	1,119	37,715	19	1.70	32	.085
California	18,830	813,658	537	2.85	2,271	.279
Colorado	1,372	27,343	5	.36	15	.055
New Mexico	750	21,074	9	1.2	48	.228
Texas	11,932	264,224	118	.99	611	.231
Hawaii	528	28,544	18	3.41	31	.109
Total, area 6	34,531	1,192,558	706	2.04	3,008	.252
Arkansas	1,670	35,001	13	.78	58	.166
Kansas	11,936	212,985	57	.48	74	.035
Louisiana	2,578	104,093	35	1.36	148	.142
Mississippi	2,107	54,833	10	.47	18	.033
Missouri	10,713	236,189	32	.30	85	.036
Oklahoma	2,809	73,544	22	.78	36	.049
Tennessee	2,561	71,791	21	.82	30	.042
Total, area 7	34,374	788,436	190	.55	449	.057
Alabama	3,106	62,726	14	.45	23	.037
Florida	2,459	129,064	15	.61	258	.200
Georgia	4,005	140,586	44	1.10	117	.083
North Carolina	13,652	174,427	8	.06	9	.005
South Carolina	2,942	64,035	7	.24	13	.020
Puerto Rico	4,254	96,754	60	1.41	158	.163
Total, area 8	30,418	667,592	148	.49	578	.087
Grand total	414,162	8,976,409	6,161	1.49	13,974	.156

2. *Brucellosis eradication continues to show marked progress.*—(*a*) The brucellosis eradication program continued to make significant progress. A comparison between fiscal years 1956 and 1957 is shown below. Gains were made in 1957 in reduction in percentage of infected herds and cattle. In addition there were increases in numbers of herds tested, in the percentage of reactors slaughtered, and in the number of calves vaccinated.

	Fiscal year 1956	Fiscal year 1957
BRUCELLOSIS RING TESTS		
Herds tested	1,727,581	1,866,444
Estimated cattle in herds tested	28,361,691	31,481,474
Suspicious herds	255,503	212,580
Percent of suspicious herds	14.8	11.39
BLOOD TESTS		
Herds tested	1,154,962	1,170,906
Cattle tested	16,754,195	15,913,396
Infected herds found	156,406	123,964
Percent of infected herds [1]	13.5	10.6
Reactors found	366,524	280,253
Percent of cattle infected [1]	2.15	1.76
Reactors slaughtered	327,034	266,594
Percent of reactors slaughtered of those found	89.2	95.1
Calves vaccinated	4,772,535	5,501,445

[1] Based on results of blood tests only.

(*b*) Minnesota and Delaware achieve modified-certified brucellosis-free status: A total of seven States, including Wisconsin and Washington which were certified during fiscal year 1956, has now been certified since the inception of the accelerated program in fiscal year 1955. Maine, New Hampshire, and North Carolina were previously certified and have maintained their certification. Connecticut and Vermont have been certified since July 1, 1957.

There were 235 counties that qualified as modified-certified brucellosis-free areas during fiscal year 1957 compared to 121 during fiscal year 1956. Prior to 1955 a total of 379 had been certified making a total of 735 at the end of fiscal year 1957, which represents 23 percent of the counties in the United States compared with 16 percent in 1956.

(*c*) Reduction in cost of program followed certification: During fiscal year 1957 (the first full year of operations following certification), Washington and Wisconsin showed an average reduction of 59.2 percent in the cost of the program as compared to fiscal year 1956. The incidence of disease in these certified States was further reduced from the permitted maximum of 1 percent animal inection to 0.32 percent in Washington and 0.29 percent in Wisconsin during fiscal year 1957.

(*d*) New regulation minimizes spread of brucellosis through interstate movement of cattle: A new regulation became effective January 1, 1957, which regulates the movement of cattle interstate insofar as brucellosis is concerned. It has received good acceptance by the livestock industry. In many cases the Federal regulation has resulted in enactment of needed supporting State laws regulating the movement of cattle within the various States. To support the regulation, markets, and slaughter plants have been approved after meeting certain established minimal standards to receive cattle moving interstate.

(*e*) This work was financed in the fiscal years 1955 through 1958 by the funds appropriated under this head and by transfers from the Commodity Credit Corporation pursuant to Public Law 690 approved August 28, 1954, as amended by Public Law 465, approved April 2, 1956. The following table compares actual State and Federal expenditures for fiscal years 1955, 1956, and 1957 with estimated State and Federal expenses for fiscal year 1958:

	Fiscal year 1955	Fiscal year 1956	Fiscal year 1957	Fiscal year 1958 (estimated)
A. Federal cost:				
Operating funds	$10,718,791	$14,125,249	$16,576,862	$17,039,300
Indemnities	4,614,606	6,060,351	4,422,720	4,500,000
Total	15,333,397	20,185,600	20,999,582	21,539,300
Less amount provided under "Salaries and expenses, ARS"	−3,774,700	−3,961,165	−3,962,400	−4,139,300
Cost of accelerated program (financed by transfers from Commodity Credit Corporation)	11,558,697	16,224,435	17,037,182	17,400,000
B. Funds provided by cooperating States and counties:				
Operating funds	9,497,240	11,595,852	12,159,444	13,128,300
Indemnities	1,736,491	4,134,627	3,682,118	3,571,700
Total	11,233,731	15,730,479	15,841,562	16,700,000

Figures 26 and 27 and Tables V to VII show by States the funds made available during the 1957 fiscal year, and other data pertaining to the program.

3. *Scabies continues to give concern.*—(*a*) Psoroptic sheep scabies: The following tabulation compares the activities of fiscal years 1956 and 1957:

	Fiscal year 1956	Fiscal year 1957
Sheep inspected	8,730,339	11,944,196
Sheep dipped	441,713	572,262
Infected sheep located	42,622	57,073
Infected flocks	607	682
States reporting sheep scabies	25	24
Counties reporting sheep scabies	267	289

Program activity continued to increase, partly due to the large number of inspections of flocks under surveillance because of other diseases of sheep. The department is still being urged by major sheep raisers' associations, State livestock sanitary officials, and others, to strengthen the eradication program. Table VIII shows the total sheep inspected and total dippings under the cooperative Federal-State psoroptic sheep-scabies eradication program and figure 28 indicates the locations where the disease was found.

Sheep-scabies quarantines lifted in Louisiana and Mississippi: A long, intensive campaign by State departments of agriculture and the United States Department of Agriculture to eradicate psoroptic sheep-scabies among flocks in Louisiana and Mississippi has been pronounced successful. The Agricultural Research Service announced the lifting of its scabies quarantines in 4 Louisiana parishes, 12 Mississippi counties, and part of a 13th Mississippi county. The quarantines, in effect more than 30 years, were lifted July 8, 1957.

(*b*). Psoroptic cattle scabies: Psoroptic scabies was diagnosed in cattle in Colorado, Illinois, Iowa, Kansas, Missouri, Ohio, and Wyoming. Federal and State quarantines were placed in Colorado on Bent, Crowley, Las Animas, Otero, Prowers, and a part of Pueblo Counties. The quarantined area was reduced as cattle were inspected and treated and, as of June 30, included all of Crowley County and those parts of Bent, Las Animas, Otero, Prowers, and Pueblo Counties directly involved in outbreaks of the disease. All known infected herds have been treated under supervision, and every effort has been made to trace movements of cattle from these herds and to establish the origin of infection in each case. Figure 29 shows the locations where the disease occurs.

4. *The cattle-fever-tick-eradication program continues active.*—In 1957 there were 1,931,902 inspections or dippings compared with 1,751,515 in fiscal year 1956. Work continues in the buffer strip along the Texas-Mexico border.

Cattle-fever ticks found in Marron Valley, Calif.: In June 1956, cattle-fever ticks were found in Marron Valley, San Diego County. The State hold order placed on the livestock in the valley was released in June 1957 following eradication of the tick and final dipping of the cattle and horses in the quarantined area. A fence paralleling the Mexican border fence has been constructed across the valley to aid in preventing reinfestations.

Cattle-fever ticks found in Okeechobee County, Fla., in April 1957: As of June 30, 1957, a total of 13 infested premises was reported and State quarantines have been placed on Okeechobee, Broward, Palm Beach, and a part of Dade County, as well as on 100 exposed herds in other areas. Experienced State and Federal inspectors have been assigned to the eradication project. More than 30 employees are now engaged in eradicating the infestation. Dippings and inspection of all herds are progressing well.

5. *Screwworm-eradication program started.*—Administrative headquarters for the screwworm-eradication project are being established at Sebring, Fla., where the State has acquired facilities which are being remodeled for the rearing and sterilization of screwworm flies, as well as for the headquarters office. The established fly-production research facilities located at Orlando, Fla., are being used for training new personnel and testing supplies, equipment, and procedures. These facilities were used to rear flies for a pilot-plant operation on 2,000 square miles southeast of Orlando, Fla., during the summer of 1957. It is anticipated that full-scale eradication efforts which entail the weekly rearing and releasing of 50 million screwworm flies, sterilized by atomic radiation, will be underway at Sebring by midsummer 1958.

As it share of the eradication program for fiscal years 1958 and 1959, Florida will contribute a total of $3 million.

6. *Diagnosis, control, and eradication of special diseases actively continued.*—(*a*) Sheep under surveillance for scrapie: Scrapie was diagnosed last year in 12 flocks in 12 counties of the States of Alabama, California, Illinois, Indiana, North Carolina, and Utah. At present all known infection has been eradicated. Approximately 1,705 flocks are under surveillance, totaling 594,675 sheep.

TABLE V.—*Summary of bovine brucellosis eradication in cooperation with the various States, fiscal year 1957*

State or Territory	Brucellosis blood tests and calfhood vaccinations								Brucellosis ring tests			
	Herds tested	Cattle	Infected herds		Reactors		Reactors held [2]	Calves vaccinated	Herds tested	Estimated cattle represented	Suspicious herds	Estimated negative cattle
			Number	Percent [1]	Number found	Percent [1]						
Connecticut	8,098	133,858	481	3.4	749	0.35	572	17,137	6,068	95,209	811	82,378
Maine	4,827	64,668	240	1.7	352	.15	0	10,233	9,048	165,105	86	162,819
Massachusetts	7,580	102,610	545	4.6	821	.45	142	17,357	6,658	122,092	2,315	80,845
New Hampshire	6,469	85,183	37	.5	73	.08	0	10,074	678	9,968	27	9,268
New York	27,257	477,615	7,609	7.8	12,959	.76	11,314	256,410	85,192	1,484,783	14,814	1,229,756
Rhode Island	1,155	25,261	187	11.6	418	1.27	8	2,144	618	12,360	161	7,540
Vermont	10,442	241,602	2,299	8.1	5,504	.64	138	57,088	22,750	774,084	4,701	614,353
Total, area 1	66,428	1,130,797	11,398	6.5	20,876	.63	12,174	370,443	131,012	2,663,601	22,915	2,186,959
Delaware	2,275	39,813	72	1.6	106	.12	0	5,625	2,489	54,911	160	51,198
Kentucky	25,509	286,028	3,596	5.3	8,165	1.08	1,162	46,354	54,705	610,014	12,617	472,568
Maryland	20,661	353,534	845	3.7	1,407	.36	0	50,869	2,351	41,933	273	37,089
New Jersey	8,228	209,154	1,044	10.8	2,127	.81	19	15,779	1,671	61,252	250	52,823
Pennsylvania	61,548	908,469	4,870	4.0	7,890	.47	4	124,001	61,756	793,704	822	783,790
Virginia	23,318	329,036	1,773	4.5	3,054	.56	0	80,392	18,979	248,242	2,220	211,801
West Virginia	14,235	173,610	599	2.8	1,311	.56	0	12,198	3,725	61,479	69	59,766
Total, area 2	155,774	2,299,644	12,709	4.5	24,060	.61	1,185	335,218	145,676	1,871,535	16,411	1,669,035
Illinois	61,959	569,420	3,981	2.9	8,473	.66	422	141,589	81,719	746,150	4,395	707,019
Indiana	52,072	785,930	6,904	4.8	13,733	.85	0	62,874	95,743	978,721	4,746	821,941
Michigan	50,757	465,063	5,704	6.6	14,206	1.55	3,953	61,303	39,665	496,399	3,969	453,072
Ohio	34,075	299,360	2,982	2.9	7,166	.63	2,603	61,606	76,577	910,926	6,761	829,232
Total, area 3	198,863	2,119,773	19,571	4.1	43,578	.88	6,978	327,372	293,704	3,132,196	19,871	2,811,264
Iowa	37,558	381,327	6,057	3.1	13,496	.53	0	220,441	191,069	2,469,972	22,210	2,184,199
Minnesota	64,216	1,357,146	7,171	2.9	14,932	.29	6,313	163,361	193,478	3,969,265	8,201	3,801,663
Nebraska	32,017	371,277	2,666	2.2	5,541	.41	1	422,662	91,611	1,031,381	3,305	993,259
North Dakota	21,280	466,622	2,843	8.0	10,802	1.52	441	102,482	14,555	247,638	247	243,042

South Dakota	14,672	223,532	2,884	5.3	9,125	1.01	1,796	256,684	45,418	706,271	5,352	675,637
Wisconsin	37,859	800,339	7,820	3.3	14,137	.29	0	485,035	215,607	4,377,904	15,905	4,056,523
Total, area 4	207,602	3,600,243	29,441	3.3	68,033	.44	8,551	1,650,665	751,738	12,802,431	55,220	11,954,323
Idaho	9,582	161,282	1,388	3.4	2,817	.45	0	135,184	34,123	511,845	3,352	461,565
Montana	13,226	312,416	1,103	8.2	2,950	.93	2,791	293,482	300	3,900	25	3,575
Nevada	1,340	38,070	138	7.8	386	.77	266	69,384	424	12,204	5	12,141
Oregon	30,871	377,527	1,009	3.3	2,742	.73	0	111,298	0	0	0	0
Utah	12,606	119,877	851	3.1	2,008	.76	71	79,246	14,949	149,384	524	144,251
Washington	9,369	180,630	578	2.0	1,473	.32	0	93,056	20,464	306,960	1,565	283,485
Wyoming	3,320	80,814	351	4.7	1,005	.70	0	170,798	4,376	65,640	153	63,345
Alaska	99	1,475	0	0	0	.00	0	184	51	842	0	842
Total, area 5	80,413	1,272,091	5,418	3.6	13,381	.60	3,128	952,632	74,687	1,050,775	5,624	969,204
Arizona	5,228	109,990	277	4.8	681	.49	169	12,717	653	39,133	152	27,876
California	8,600	74,523	801	8.9	2,004	1.65	0	351,675	752	53,897	326	46,689
Colorado	10,085	85,600	587	1.8	1,048	.26	267	87,308	23,867	329,726	775	314,011
New Mexico	10,368	179,556	299	2.1	932	.36	0	57,834	4,153	80,062	156	76,899
Texas	14,071	104,281	1,357	6.5	3,965	1.56	0	130,813	18,099	512,650	10,813	149,337
Hawaii	0	0	0	0	0	0	0	0	0	0	0	0
Total, area 6	48,352	553,950	3,321	4.0	8,630	.74	436	640,347	47,524	1,015,468	12,222	614,812
Arkansas	14,005	189,693	2,677	6.7	6,625	1.26	287	99,193	33,703	443,843	7,868	337,591
Kansas	20,438	230,410	2,993	4.0	5,729	.30	0	180,596	62,991	1,934,194	8,879	1,668,907
Louisiana	21,132	392,003	5,757	23.0	19,843	4.20	201	101,829	7,779	159,848	3,924	80,901
Mississippi	33,726	423,281	3,472	5.6	8,423	.73	155	120,674	33,214	883,220	4,924	736,210
Missouri	83,842	989,774	8,691	4.4	18,087	.82	0	246,231	131,633	1,501,042	16,559	1,218,736
Oklahoma	13,821	199,373	2,782	7.3	6,272	.95	1,531	113,426	29,500	553,655	5,041	461,314
Tennessee	53,713	522,809	5,649	5.9	10,935	1.09	268	129,543	64,973	806,294	23,605	483,179
Total, area 7	240,677	2,947,343	32,021	6.0	75,914	.96	2,442	991,492	363,793	6,282,096	70,800	4,986,838
Alabama	34,378	383,048	3,004	6.4	7,750	.98	118	70,413	15,597	502,814	2,863	411,801
Florida	17,183	263,391	925	4.6	3,760	.73	0	89,902	6,936	1,241,130	3,942	252,294
Georgia	47,143	608,358	4,227	8.0	9,639	1.05	587	40,469	7,604	424,724	2,095	307,402
North Carolina	33,939	277,092	325	.6	639	.11	2	3,000	21,595	331,416	175	328,351
South Carolina	12,971	159,898	475	2.6	1,111	.42	17	16,089	5,702	114,984	301	106,290
Puerto Rico	27,183	297,768	1,129	4.0	2,882	.85	258	13,403	876	48,304	141	41,631
Total, area 8	172,797	1,989,555	10,085	4.5	25,781	.75	982	233,276	58,310	2,663,372	9,517	1,447,769
Grand total	1,170,906	15,913,396	123,964	4.4	280,253	.66	35,876	5,501,445	1,866,444	31,481,474	212,580	26,640,204

[1] Percent of herd and cattle infection in States conducting brucellosis ring tests calculated on basis of total blood tests and brucellosis ring test negative herds and cattle.

[2] Included in nonvaccinated reactors found.

TABLE VI.—*Statement of comparative testing, herds and cattle under supervision, average appraisal, salvage, and State and Federal indemnity in brucellosis eradication work, fiscal years 1935 to 1957, inclusive*

Fiscal year	Tests conducted		Reactors found	Reactors held	Percent infection	Under supervision		Average during year				
	Herds	Cattle				Herds	Cattle	Appraisal	Salvage	States paying indemnity	State indemnity [1]	Federal indemnity
1935	212,482	3,317,760	381,010	----------	11.5	187,109	2,936,347	$56.86	$19.87	1	$27.99	$24.29
1936	470,788	6,674,709	457,104	----------	6.8	449,644	5,780,418	70.65	27.44	2	20.57	26.86
1937	630,917	8,021,167	397,864	----------	5.0	719,452	7,877,612	70.67	27.94	5	19.25	26.45
1938	671,310	7,837,443	324,532	----------	4.1	1,035,454	9,447,137	80.37	32.07	10	20.36	26.69
1939	724,613	7,591,398	219,165	----------	2.9	1,372,410	11,111,643	97.17	33.97	28	26.09	20.00
1940	590,393	6,937,428	171,953	----------	2.5	1,615,755	12,315,329	90.85	34.99	36	17.12	14.96
1941	677,544	7,465,254	182,075	----------	2.4	1,883,914	13,932,693	93.28	37.68	40	17.19	15.19
1942	591,835	6,891,219	209,238	39,586	3.0	2,105,294	15,627,027	99.19	52.06	41	17.71	15.83
1943	392,636	5,185,228	197,329	53,558	3.8	2,199,535	16,616,522	128.03	64.87	40	18.63	16.77
1944	386,266	5,235,912	226,079	75,499	4.3	2,254,235	17,326,138	143.34	59.75	40	22.54	19.30
1945	395,236	5,213,458	243,050	86,738	4.7	2,307,585	17,545,638	139.35	56.63	40	22.14	19.25
1946	389,814	4,876,866	245,786	74,922	5.0	2,360,699	17,870,154	149.65	68.64	40	22.07	19.34
1947	454,789	5,133,814	232,293	68,977	4.5	2,249,118	17,589,018	178.25	82.93	40	23.44	20.64
1948	533,936	5,434,792	232,199	68,653	4.3	2,291,760	18,128,318	203.98	107.38	39	24.44	21.17
1949	563,501	5,671,347	226,691	66,351	4.0	2,165,364	17,126,480	256.46	132.11	37	25.67	23.41
1950	618,801	5,974,721	208,298	60,686	3.5	2,299,556	18,527,624	237.68	114.21	31	25.16	22.75
1951	565,155	5,640,836	172,322	60,418	3.1	2,324,621	19,197,790	326.85	189.45	22	23.47	21.41
1952	670,738	7,491,327	314,260	179,101	4.2	2,149,078	21,496,113	334.68	189.39	25	26.03	24.05
1953	660,344	7,860,870	268,348	149,628	3.4	2,102,545	21,607,676	276.52	122.52	25	25.59	22.32
1954	696,207	9,002,109	235,666	80,672	2.6	2,298,284	24,572,013	190.90	89.18	26	20.64	[3] 11.71
1955	984,541	14,186,241	365,247	62,435	2.6	2,585,277	31,948,708	189.36	87.38	42	20.85	[3] 20.65
1956	1,154,962	16,754,195	366,524	55,312	[4] 1.25	2,737,483	42,582,071	203.63	84.58	42	22.33	23.21
1957	1,170,906	15,913,396	280,253	35,876	[5] .66	2,697,184	50,858,016	201.29	84.98	44	19.64	22.29

[1] During period May 1, 1929, to Oct. 8, 1954, Federal indemnity payment limited to not to exceed total amount paid by cooperating State agencies. Includes Puerto Rico.

[2] Federal indemnity for the period Sept. 23, 1953, to Oct. 8, 1954, was limited to $9 for grade and $18 for purebred animals.

[3] Effective Oct. 8, 1954, the requirement that States match Federal indemnity payments was rescinded, and maximum payments were again raised to $25 and $50.

[4] Percent of infection in States conducting brucellosis ring tests calculated on basis of total blood tests and total brucellosis ring tests negative for the last 6 months.

[5] Percent of infection in States conducting brucellosis ring tests calculated on basis of total blood tests and total brucellosis ring tests negative for fiscal year 1957.

TABLE VII.—*Brucellosis eradication, fiscal year 1957*

State	Federal			State		
	Indemnity payments	Operating cost	Total	Indemnity payments	Operating cost	Total
Alabama	$124,124	$445,621	$569,746		$100,000	$100,000
Arizona	7,546	120,224	127,770	$10,000	37,450	47,450
Arkansas	150,250	385,439	535,689		60,000	60,000
California	6,475	230,911	237,386		367,370	367,370
Colorado	9,658	105,531	115,189		33,134	33,134
Connecticut	4,041	66,635	70,676		149,540	149,540
Delaware	4,389	23,737	28,126	18,000	37,160	55,160
District of Columbia and regional business offices		1,385,202	1,385,202			
Florida	36,330	352,259	388,589	87,531	182,755	270,286
Georgia	116,311	571,360	687,671	155,520	256,567	412,087
Idaho	68,899	280,730	349,629	1,000	100,500	101,500
Illinois	160,242	213,667	373,909		1,190,034	1,190,034
Indiana	267,166	484,533	751,699		661,124	661,124
Iowa	156,127	668,363	824,490	250,000	544,000	794,000
Kansas		398,394	398,394		190,000	190,000
Kentucky	110,304	208,458	318,762		350,000	350,000
Louisiana	514,463	342,495	856,958	858,000	559,779	1,417,779
Maine	10,643	49,065	59,708	21,000	90,000	111,000
Maryland	47,580	316,921	364,501	152,000	145,035	297,035
Massachusetts	17,199	157,744	174,943	20,000	103,000	123,000
Michigan	227,973	456,745	684,718	5,000	340,228	345,228
Minnesota	132,996	799,020	932,016	97,000	547,000	644,000
Mississippi	186,121	476,851	662,972		131,500	131,500
Missouri	207,179	963,307	1,170,486	257,180	455,670	712,850
Montana		412,140	412,140		250,000	250,000
Nebraska	131,610	744,732	876,342	75,000	235,000	310,000
Nevada	7,236	117,622	124,858		30,900	30,900
New Hampshire	2,318	39,968	42,286	13,000	74,500	87,500
New Jersey	48,674	114,212	162,886	178,000	119,405	297,405
New Mexico	15,342	221,632	236,974	12,000	28,000	40,000
New York		220,450	220,450		1,105,296	1,105,296
North Carolina	15,183	174,722	189,905	15,000	112,482	127,482
North Dakota	208,202	201,068	409,270		180,000	180,000
Ohio		241,092	241,092		335,200	335,200
Oklahoma	1,750	345,037	346,787		80,500	80,500
Oregon	79,404	269,686	349,090	72,000	163,500	235,500
Pennsylvania	232,372	421,154	653,526	650,000	650,000	1,300,000
Rhode Island	7,141	14,777	21,918	7,500	27,000	34,500
South Carolina	20,699	214,686	235,385	14,000	106,405	120,405
South Dakota	82,555	321,539	404,094	50,000	50,000	100,000
Tennessee	245,685	577,597	823,282		221,860	221,860
Texas		147,652	147,652		60,000	60,000
Utah	47,769	235,639	283,408		96,000	96,000
Vermont	119,378	199,163	318,541	70,000	50,000	120,000
Virginia	85,845	309,961	395,806		315,290	315,290
Washington	41,559	339,943	381,502	86,250	96,750	183,000
West Virginia	11,585	129,696	141,281	8,000	92,850	100,850
Wisconsin	382,327	661,473	1,043,800	453,137	917,790	1,370,927
Wyoming	9,889	179,777	189,666		18,200	18,200
Hawaii		2,402	2,402			
Puerto Rico	60,180	215,830	276,010	46,000	110,670	156,670
Total	4,422,720	16,576,862	20,999,582	3,682,118	12,159,444	15,841,562

TABLE VIII.—*Psoroptic sheep scabies*

As reported from respective States	Number of infected counties	Number of infected flocks	Number of infected sheep	Total inspections	Total dippings
Arizona	0	0	0	578,612	27,814
Arkansas	6	21	2,513	71,589	14,376
California	0	0	0	777,440	408
Colorado	0	0	0	35,013	9
Delaware	1	2	321	2,108	657
Florida	0	0	0	1,405	0
Georgia	0	0	0	2,502	2,502
Idaho	0	0	0	25,561	0
Illinois	39	110	5,544	34,680	3,522
Indiana	29	66	2,196	6,386	1,672
Iowa	37	71	5,266	86,156	5,780
Kansas	0	0	0	48,049	2,188
Kentucky	12	25	3,209	62,576	3,288
Louisiana	1	1	5	353,396	115,551
Maryland	1	1	13	239	142
Michigan	13	27	3,256	4,198	4,198
Minnesota	5	5	4,633	14,732	8,732
Mississippi	0	0	0	193,237	28,014
Missouri	14	27	2,366	6,565	3,896
Nebraska	27	48	5,004	22,173	18,079
Nevada	0	0	0	85,920	0
New Jersey	8	11	501	6,756	342
New Mexico	0	0	0	1,638,855	21,143
New York	3	5	131	131	118
Ohio	39	98	6,329	10,983	8,045
Oklahoma	3	3	353	4,232	765
Oregon	0	0	0	35,204	0
Pennsylvania	8	12	449	557	489
South Dakota	6	12	1,125	300,164	3,663
Tennessee	5	16	900	25,358	2,059
Texas	5	8	91	6,383,092	273,545
Utah	0	0	0	714,884	0
Virginia	17	86	6,708	59,129	7,641
Washington	0	0	0	71,345	3
West Virginia	8	23	1,877	30,579	4,530
Wisconsin	1	1	35	762	0
Wyoming	1	3	4,248	249,628	9,091
Total	289	682	57,073	11,944,196	572,262

NOTE.—Goats inspected in Arizona, 2,630; Arkansas, 608; California, 601; Iowa, 10; Texas, 50,782; Washington, 2; Wyoming, 3; total, 54,636. Goats dipped in Arizona, 349; Arkansas, 500; Iowa, 6; Texas, 1,548; Wyoming, 1; total, 2,404. In addition, occasional flocks of sheep were found infected with chorioptic scabies and an occasional flock of goats was found infected with demodectic mange.

The table below compares Federal and State scrapie indemnity payments for the fiscal years 1956 and 1957.

	Fiscal year 1956	*Fiscal year 1957*
Federal	$59,956	$329,736
State	42,377	196,099

There were fewer infected flocks found in 1957 than in 1956, but a larger number of sheep were involved because the disease appeared in large flocks.

(*b*) Anthrax outbreak in Oklahoma and Kansas: An outbreak of anthrax involving cattle was first reported during the latter part of July 1957 in the northeastern corner of Oklahoma, and later in the southeastern corner of Kansas. When the extent of the outbreak assumed such proportions that State forces were unable to cope with it, the State officials appealed for Federal assistance. Federal veterinarians working in the two States were made available immediately. It later became necessary to send in 22 additional Federal veterinarians from adjacent States to assist. An anthrax specialist from Washington, D. C., served as an adviser to the State officials directing the program. The combined State and Federal forces vaccinated more than 140,000 animals in the 2 States. The press of the work made it necessary for the personnel to work many hours of overtime each day, as well as 7 days a week, to complete the vaccination as soon as possible. New cases ceased to develop approximately 10 days after most of the animals in the area were vaccinated. Approximately 750 animals died as a result of the disease. Only one human case was reported, which responded favorably to treatment.

(*c*) No positive cases of dourine and glanders of horses found in 1957: A total of 108 samples of equine serum was submitted for laboratory examination as compared with 2,338 in 1956. All 108 samples were negative.

(*d*) Surveys conducted for incidence of leptospirosis: Extensive interest has been expressed in 12 States and Puerto Rico where leptospirosis surveys have been inaugurated. States have been selected throughout the country which represent both the dairy and beef cattle interests as well as the swine industry. Surveys will include data from the northern to the southernmost States to determine the number of herds and cattle showing serological reactions to the disease. The uniform techniques and procedures adopted for applying the test permit correlating test results with actual herd histories where infection exists. The summary of these investigations will be of material value in formulating future measures for the control of leptospirosis.

(*e*) Anaplasmosis control and eradication measures tested: Satisfactory progress on the pilot operation in Hawaii has been made. A cooperative Federal-State-owner experimental project has been developed in Tennessee consisting of (1) test and slaughter, (2) test and segregation, (3) test and retention of reactors in the herd. This project, involving selective herds, will serve to provide additional information as field trial studies in the control and eradication of anaplasmosis.

Virginia has adopted and is offering to livestock owners in that State a voluntary anaplasmosis program. Herds suspected of harboring the disease are tested and the owners are allowed to either remove the reactor animals for immediate slaughter or hold them under segregation until such time as they can be marketed for slaughter.

7. *Supervision maintained over interstate transportation of livestock.*—(*a*) Livestock markets increase in 1957: Federal inspection service was extended to 11 additional livestock markets during 1957, making a total of 59 stockyards in 57 cities under inspection. At these yards Department employees inspected 25,994,640 cattle, 12,791,764 sheep and 29,252,660 swine, and supervised the dipping of 299,474 sheep for scabies during the year, in compliance with regulations of this Department and States of destination. A total of 173,375 swine were immunized and disinfected against hog cholera for movement to farms for stocker and feeder purposes. Veterinarians are constantly on duty examining for disease all animals that pass through these stockyards. These veterinarians are assisted by livestock inspectors skilled in the detection of animals affected with disease or abnormal conditions. Livestock inspectors also supervise the dipping of cattle and sheep for scabies, the cleaning and disinfecting of pens, cars, and trucks used in the handling of diseased animals, and trace the origin of diseased livestock in order that appropriate action may be taken to prevent further spread of disease.

(*b*) New Federal regulations enforced: Under the new Federal regulations to prevent the spread of brucellosis and paratuberculosis, effective January 1, 1957, provision was made for specifically approved stockyards and slaughtering establishments. Shippers may move cattle interstate into such markets without having to meet certain test requirements prior to such movement provided interstate and intrastate requirements are met when cattle are moved from the markets. There were 869 livestock markets and 1,410 slaughtering establishments specifically approved and in operation at the close of fiscal year 1957, or during the first 6 months the new regulations were in effect.

(*c*) High standards maintained for dips and disinfectants: Dips and disinfectants permitted under Department regulations continue to be maintained at high standards as a result of checks made at stockyards and in field trials on their efficacy for the control and eradication of disease. Those meeting specified requirements are permitted for official use in livestock disease eradication activities. Samples of the various types of dips and disinfectants are collected and forwarded to the Department's chemical laboratory for analysis. The Department maintains current lists of manufacturers and distributors of the acceptable dips and disinfectants for the guidance of Federal and State officials, livestock market operators, veterinarians, transportation companies, livestock owners, and others.

(*d*) The following statistics show the comparative volume of activity at the public stockyards in the fiscal years 1956 and 1957.

	Fiscal year 1956	Fiscal year 1957
Number of stockyards operating	48	59
Number of cities in which located	46	57
Animals inspected:		
Cattle	25, 187, 037	25, 994, 640
Sheep	12, 835, 044	12, 791, 764
Swine	32, 518, 288	29, 252, 660
Total animals inspected	70, 540, 369	68, 039, 064
Animals dipped and immunized:		
Cattle dipped	672	2, 287
Sheep dipped	235, 488	299, 474
Swine immunized	155, 773	173, 375
Total animals dipped and immunized	391, 933	475, 136
Health certificates issued for shipments	230, 579	245, 087
Infectious cars received	1, 765	1, 692
Cars cleaned and disinfected [1]	4, 096	3, 278
Trucks cleaned and disinfected	31, 372	34, 869
Diseased animals received	220, 926	[2] 347, 277

[1] Includes requests by States and railroads.
[2] 1957 total includes 143,557 brucellosis, 7,239 tuberculosis, and 115 paratuberculosis reactors; 196,366 other diseased animals.

(*e*) Twenty-eight hour law enforced: The purpose of the 28-hour law is to prevent the overconfinement of animals shipped in interstate commerce by common carrier. Waybills and records maintained by carriers and others are examined daily and apparent violations reported at stations where Federal livestock inspectors are stationed. Inspections are also made from time to time at approximately 900 feed, water, and rest stations in 48 States to ascertain if the facilities and equipment are maintained for the safe and humane handling of the species of animals for which they were designed. When unsatisfactory conditions are found at these stations they are brought promptly to the attention of the responsible railroad for corrective action. In addition, the railroad records are checked and all cases of overconfinement beyond the statutory limit are reported.

During the year the Department received 582 reports of alleged violations of the 28-hour law and recommended prosecution of 392 cases. Reports show penalties of $21,775, and costs were imposed on 205 violations.

(*f*) Regulatory laws enforced: The Department received notices of 306 violations of the animal quarantine laws. Prosecution was recommended in 164 cases. Disposition was made by the courts during this period of 15 cases, and fines totaling $1,900 were imposed.

Dr. CLARKSON. We have changes in the budget request on two of these programs. The first one is the program in cooperation with the Southeastern States for eradication of the screwworm from that area. You will recall that the Congress made available this fiscal year $1,600,000 to cooperate with the Southeastern States.

SCREWWORM ERADICATION

The State of Florida has already appropriated $3 million for this purpose, and the other States have each committed themselves for inspection work and survey, and to help in any suppression activity that may have to be carried out in their States.

We are hopeful that at least the bulk of the work will be done in Florida, and that the program will not have to be enlarged to include any of the other States.

Mr. WHITTEN. I do not know of any State that has had more problems, and come to the Congress and gotten more prompt and extraordinary action than the State of Florida. I notice on the 50-50 arrangement on this screwworm, you are increasing your amount, and the State is decreasing its share. The figures on page 27 show that in 1958 you spent 57 percent, 55 percent in 1959. Is this a 50–50 program we are supposed to have?

Dr. CLARKSON. We had construed the action taken by the Congress to mean that the actual eradication work should be, as near as possible, on a share-and-share-alike basis with the States, and that will, in large measure, be the case. This year, the State of Florida will spend $1,200,000 for fixing up the new facilities and for the growing and distribution of flies. Our expenses go beyond the State of Florida and extend into the other Southeastern States, and particularly to the need for inspection of livestock moving into the Southeast from the West, at a line roughly running down the Mississippi River. It is necessary to establish inspection surveillance of livestock moving from west to east in order to avoid reinfestation with the screwworm fly from the southwestern part of the United States where it has long existed, and where it will continue to exist.

I believe in our estimates that we gave to your committee and the committee in the other body, before the Congress acted on this item; we estimated $2,000,000 would be needed for the Federal share for the second year if the program were initiated. That compares with $2,500,000 which we have in this request. The difference is required almost entirely because the cost of supplies and materials that we need exceeded our original estimate. A large share of that cost is in the providing of ground fresh meat of some kind, horsemeat or beef meat, and the price is considerably more than it was when we had first made up our estimates.

Mr. WHITTEN. Well of course, the cheaper the dollar the more it costs. Then, the more it costs the cheaper the dollar. Could you give me the answer to that one, Doctor?

Dr. CLARKSON. No, sir; I can't.

Mr. WHITTEN. Well, let's proceed.

EFFECTS OF COLD WINTER ON SCREWWORM PROGRAM

Dr. CLARKSON. This year it has been very cold in the Southeast, and, taking advantage of that fact, and the belief that cold weather has very materially reduced the numbers of screwworm flies surviving in the northern part of the peninsula of Florida, in south Georgia, and South Carolina, we improvised and got started on the distribution of the sterile flies by the middle of January instead of waiting until June, as had been originally contemplated. If the estimates prove to be correct, we should save a good many thousands of square miles of treatment through this prompt action.

In order to do this, we had to make the maximum use of some temporary facilities, and to turn over a large part of the research laboratory at Orlando to the temporary production and irradiation of flies. We are now releasing flies at the rate of just over 2 million per week, and, by the end of this month, we should be up to about 4 million. When the new facilities which are being remodeled at Sebring, Fla., come into operation, we will be able to produce and release at the rate of 50 million flies a week.

BRUCELLOSIS ERADICATION

The other item of change in the budget requests under "Animal disease control and eradication" is to finance the brucellosis-eradication program in cooperation with the States. For the past 4 years, we have had an appropriation which included about $4 million for this work, and, in addition, the Congress authorized borrowings from Commodity Credit Corporation in amounts varying from $15 million to $20 million per year. During those 4 years, the total amount of State contributions for this program have been increased from slightly over $10 million to somewhat over $16 million annually.

Mr. WHITTEN. What progress are you making in that eradication program, Doctor?

Dr. CLARKSON. The progress has been very gratifying. As you know, this disease exists throughout the United States. It is not only an economic hazard to the dairymen and the cattle growers, but it is also a hazard to the health of man. We have seen the reduction of the incidence of the disease from about 4 percent to under 2 percent in the cattle that have been tested during the past 5 years.

Mr. WHITTEN. How about the incidence of human reaction; have you any figures on that?

Dr. CLARKSON. I do not have the figures on numbers of cases at hand, but I do have information that shows that, during the same period, the number of human cases of brucellosis, which come primarily from cattle, have been reduced by considerably more than 50 percent. So, we think there is a direct relationship between the reduction of brucellosis in the cattle to this very gratifying reduction of brucellosis in man.

Mr. WHITTEN. How long do you figure it will be before you can have the country relatively clean? Is that the basis on which you are determining your direct appropriation?

Dr. CLARKSON. We had estimated, when the additional funds were made available, that it would take at least 10 years, at the higher rate of expenditure plus the cooperation of the States, to bring the country to a low level of brucellosis.

We find now that, at the end of this year, we should have somewhat more than half of the counties of the country in what we call the modified certified brucellosis-free status. That means that this infection is reduced to not more than 1 percent of the cattle, and not more than 5 percent of the herds.

At that rate, we should be able to obtain certification throughout the country in something less than the 10-year estimate, and we hope by the end of 10 years to have gone forward to virtual eradication in a large part of the country. There is still a great deal of work to be done, even in the certified areas, to hold the gains that have been made and to eliminate the last evidence of infestation.

Mr. Chairman, Mr. Peterson covered the matter of financing in his remarks earlier in the hearings.

Mr. WHITTEN. I recall that, so you might pass that up at this point and proceed to the next item.

JUSTIFICATION MATERIAL ON ANIMAL QUARANTINE

Dr. CLARKSON. Mr. Chairman, on our animal inspection and quarantine work, we have it covered pretty well in the notes, from pages 104 to 109.

Mr. WHITTEN. They will be included in the record at this point.

(The notes referred to are as follows:)

ANIMAL QUARANTINE

1. *Regulations enforced.*—All horses, ruminants, swine, and poultry offered for importation into the United States are carefully inspected at coastal, air, and border ports of entry. Certain animals and poultry are quarantined at designated quarantine stations. These procedures are to prevent the introduction and dissemination of diseases and pests of foreign origin into the United States.

The Bureau of Customs and the Public Health Service continued their valuable assistance in the administration of import regulations. Public Health Service officials at ocean ports obtained 32,568 declarations from masters of ships, certifying to the absence or presence of prohibited animals, or meats therefrom, aboard their vessels.

The following table lists the animals, including poultry, inspected and passed for entry in fiscal year 1957:

	Canadian border ports	Mexican border ports	Ocean ports	Total	Refused entry
Animals:					
Cattle	60,219	224,334	22	284,575	2,492
Swine	913	5	51	969	
Sheep	8,135		10	8,145	5
Goats	22	1		23	1
Equines	16,856	18,275	1,800	36,931	1,149
Poultry	10,565	18	4,524	15,107	897
Other animals [1]	48	43	113	204	13
Total animals	96,758	242,676	6,520	345,954	4,557
Eggs (cases)	13,722		3,502	17,224	97

[1] Includes a wide variety of zoo-type animals.

In addition to the above importations, 2,234 animals for immediate slaughter (cattle, swine, sheep, and goats) were inspected and passed for entry into the United States Virgin Islands from the British Virgin Islands. Also, 185,614 ducklings entered the United States during the fiscal year for transshipment to Mexico.

Equines (horses, mules, and burros) offered for importation from overseas and Mexico, are given careful physical examination by Department veterinarians, and are required to be negative to tests for dourine and glanders (glanders is also transmissible to humans). Accordingly, approximately 9,000 serum samples were collected from such animals at ports of entry and tested at Department laboratories. Most tests were negative; however, 117 samples were diagnosed as follows:

38 positive and 25 suspicious for glanders.
49 positive and 5 suspicious for dourine.

During the year, 1,266 stray and smuggled Mexican animals were apprehended and either returned to Mexico or otherwise disposed of in accordance with Department regulations. This total was comprised of 946 equines, 283 cattle, 21 goats, 10 sheep, and 6 swine.

2. *Number of animals certified for entry free of duty declines 9 percent.*—Under the provisions of paragraph 1606 of the Tariff Act of 1930, certificates as to the purity of breeding were issued for 20,822 animals imported during the fiscal year 1957, as compared with 22,782 animals for the previous fiscal year. The purebred animals certified for entry free of duty were, by species, as follows:

	Fiscal year 1956	Fiscal year 1957
Horses	423	506
Cattle	20,646	18,713
Sheep	694	791
Swine	392	130
Goats	1	
Dogs	624	680
Cats	2	2
Total	22,782	20,822

3. *Inspection of imported animal products and forage continues heavy.*—Sanitary control was maintained over the entry of various animal products, and hay and straw. Products permitted entry under restrictions designed to prevent the introduction into the United States of foot-and-mouth disease, rinderpest, anthrax, or other infectious diseases of animals and poultry were transported from the port of entry under seal to approved destination establishments and there handled under supervision. Railroad cars, trucks, and premises involved in the transportation and handling of restricted products were disinfected.

Department inspectors destroyed all unsterilized hay and straw used as packing material in mail packages from countries where foot-and-mouth disease or rinderpest exists.

The following table compares activity in fiscal years 1956 and 1957:

Items of inspection	Fiscal year 1956	Fiscal year 1957
Ocean vessels	32,559	35,744
Airplanes	59,568	76,454
Hides and skins (number)	68,552,693	54,425,400
Wool (million pounds)	453	355
Animal casings (thousand pounds)	10,000	12,500
Animal casings disinfected (thousand pounds)	430	344
Miscellaneous animal byproducts (tons)	131,000	152,000

Particular attention was given during the year to preventing the landing of fresh, chilled, or frozen meats, or garbage derived therefrom, from air and ocean transports provisioned in countries where foot-and-mouth disease or rinderpest exists. More than 93,000 pounds (20,500 lots) of prohibited and/or restricted

meats were seized and disposed of in accordance with Department regulations during the fiscal year when found aboard ships and airplanes or intercepted at land border stations and post offices.

4. *Export animals and transporting vessels inspected.*—The law requires that domestic ruminants and swine intended for export be free from disease, and that vessels on which such animals and equines are to be transported be equipped to insure their safe transport and humane handling. Animals are inspected and tested in various districts of origin throughout the United States and supervision is given to livestock facilities and other accommodations on ocean vessels and aircraft. The trend toward the export shipment of livestock to foreign countries by air rather than by ocean vessel has presented an acute inspection problem at some ports of export, inasmuch as individual air shipments are much smaller than shipments by ocean vessel but require in many instances nearly the same inspection time. Since airports are usually located many miles from ocean ports where activities are normally carried on, it has become necessary to assign additional inspectors to provide proper inspection service. In the 1957 fiscal year, a total of 82,082 animals were inspected and tested for export as compared with 117,824 in fiscal year 1956. The decrease of 35,742 resulted from 40,565 fewer sheep destined for Mexico. The number of cattle exported to all countries increased by about 7,500.

The distribution of the 1957 exports was as follows:

	Destination			
	Canada	Mexico	Other countries	Total
Cattle	7,268	31,572	12,582	51,422
Swine		2,814	4,788	7,602
Sheep	6,333	3,459	796	10,588
Goats	8	5,515	382	5,905
Equines	722	2,852	1,364	4,938
Other animals	1,546	81		1,627
Total	15,877	46,293	19,912	82,082

5. *Outstanding licenses under the Virus-Serum-Toxin Act permitted the production of 121 different biological products as of June 30, 1957.*—Several products are manufactured in more than one form so that the total number of different biological products was 197. The total number of outlines of production processed during the year was 466. Labels and circulars for licensed biological products reviewed and processed during the fiscal year totaled 2,946 sets, as compared with 2,199 sets in fiscal year 1956.

The progress and anticipated extent of the work is reflected in the following table:

Animal quarantine

	Actual, fiscal year 1957	Estimated, fiscal year 1958	Estimated, fiscal year 1959
Establishments producing anti-hog-cholera serum and hog-cholera virus	25	25	25
Production (cubic centimeters):			
Serum (completed product)	519,757,258	750,575,400	650,750,000
Virus:			
Simultaneous	14,403,602	19,337,940	11,425,500
Hyperimmunizing	89,964,754	128,769,060	115,089,050
Inoculating	614,397	645,000	675,000
Animal inspections	737,339	1,032,270	921,052
Tests supervised	3,686	5,067	4,616
Establishments producing hog-cholera vaccine	21	21	22
Production (doses)	34,563,122	35,505,600	36,875,000
Establishments producing other biologics	49	53	55
Production:			
Cubic centimeters	739,595,661	775,561,800	801,756,200
Milligrams	599,550,748	685,119,100	681,543,100
Units	501,856,369	471,053,200	551,829,300
Products destroyed (all kinds):			
Cubic centimeters	17,670,300	22,006,200	22,051,800
Milligrams	22,688,329	42,560,200	35,762,500
Units	350,000	10,500	350,000
Export certificates issued	825	1,100	1,000

One thousand nine hundred and fifty-eight samples of biological products and subcultures of organisms were collected and forwarded to Washington laboratories for testing. Included in these were 1,516 samples of brucellosis vaccine, of which 7.8 percent was found unsatisfactory when examined in these laboratories. The unsatisfactory batches of vaccine were destroyed under Federal supervision and represented 2,637,395 cubic centimeters, or enough vaccine to treat 527,479 calves. In the course of 554 purity and safety tests on hog-cholera virus, approximately 7.2 percent of the batches tested were suspected of containing the swine-erysipelas organism. Approximately 2.5 percent of the lots were found to contain the causative organism of swine erysipelas and were destroyed under supervision of a Federal inspector.

The following table shows the volume of biological products certified for export:

Products [1]	Fiscal year 1956	Fiscal year 1957	Estimated	
			Fiscal year 1958	Fiscal year 1959
Anti-hog-cholera serum (cc)	40,722,000	30,378,000	36,575,000	32,675,000
Other serums (cc)	285,000	582,000	550,000	610,000
Hog-cholera virus (cc)	1,218,000	1,037,000	1,045,000	955,000
Antitoxins (units)	2,548,000	761,000	2,500,000	2,000,000
Bacterins	5,680,000	5,555,000	5,825,000	5,950,000
Diagnostics	129,000	67,000	75,000	75,000
Vaccines	13,570,000	21,727,000	26,875,000	31,050,000

[1] Doses unless otherwise indicated.

Meat Inspection

Dr. Clarkson. Current progress in the meat inspection program is described on pages 110 through 116 of the notes.

Mr. Whitten. We will be glad to have those put in the record.

(The material referred to is as follows:)

Meat Inspection

Current activities

Federal meat inspection assures clean, sound, and wholesome meat for human consumption, free from adulteration, and truthfully labeled. The work consists of inspecting animals and carcasses at the time of slaughter; inspection at all stages of preparation of meat and meat-food products to assure sanitary handling; destruction of condemned product to prevent its use for human food; enforcement of measures that insure information labeling; inspection of meat and meat-food products offered for importation; and a supervising system of certification to assure acceptance of domestic meats in foreign trade. Meat and meat-food products are examined for compliance with specifications of governmental purchasing agencies; reimbursements are received for the cost of such services. Reimbursements are also received from meatpacking establishments for the cost of overtime work performed at their request. Continuous inspection of the manufacture of process or renovated butter is also included under this activity.

Selected examples of recent progress

1. *Demand for Federal meat inspection continues to increase.*—There has been a substantial increase in the number of meatpacking plants in the past 5 years from 965 in 1953 to 1244 in 1957. This trend is expected to continue. Plants are being located in additional towns and extra shifts are frequently used to speed up production. The trend toward more use of frozen meats and other processed meat products is also increasing the demands for meat inspection. Additional meatpackers are finding it necessary to come under the Federal inspection programs to meet the demands of institutional buying and chain-store merchandising, which are rapidly assuming greater prominence. Such buyers require Federal meat inspection because they make interstate shipment of their products.

2. The scope of operations under the meat-inspection laws is indicated by the following tables:

Meat inspection activities

	At close of fiscal years					
	1954	1955	1956	1957	Estimated	
					1958	1959
Number of establishments covered	1,067	1,120	1,184	1,244	1,306	1,356
Number of cities and towns in which establishments were located	410	435	471	502	520	540
	During fiscal years (in thousands)					
Ante mortem inspection:						
Animals passed	90,733	98,011	108,354	104,181	100,824	103,824
Animals suspected	189	183	187	165	170	170
Animals condemned	6	6	6	6	6	6
Total animals inspected	90,928	98,200	108,547	104,352	101,000	104,000
Post mortem inspection:						
Carcasses passed	90,640	97,913	108,242	104,050	100,703	103,699
Carcasses condemned	282	281	298	295	291	295
Total carcasses inspected	90,922	98,194	108,540	104,345	100,994	103,994
Inspection of animals by species:						
Ante mortem inspection (animals):						
Cattle	18,479	18,729	19,683	20,145	19,100	19,400
Calves	7,480	7,601	7,607	7,769	7,300	7,600
Sheep and lambs	14,369	14,489	14,209	13,919	13,500	13,500
Goats	53	87	86	116	100	100
Horses [1]	250	237	180	163	150	140
Swine	50,297	57,057	66,782	62,240	60,850	63,260
Total	90,928	98,200	108,547	104,352	101,000	104,000
Post mortem inspections (carcasses):						
Cattle	18,476	18,725	19,680	20,142	19,098	19,398
Calves	7,479	7,601	7,606	7,768	7,299	7,599
Sheep and lambs	14,368	14,489	14,209	13,918	13,499	13,499
Goats	53	87	86	116	100	100
Horses [1]	250	237	179	162	150	140
Swine	50,296	57,055	66,780	62,239	60,848	63,258
Total	90,922	98,194	108,540	104,345	100,994	103,994

[1] Horses are slaughtered and their meat is identified as such. It is handled and prepared in separate establishments from those handling cattle, calves, sheep, swine, and goats.

Meat and meat food products prepared and processed under Federal inspection by fiscal years

Fiscal year:	*Pounds*
1954	14,833,471,229
1955	16,373,853,029
1956	18,207,298,082
1957	17,804,070,049
1958 (estimated)	17,800,000,000
1959 (estimated)	18,300,000,000

Meat and meat food products prepared and processed under supervision, classified by type of product

[In thousand pounds]

	Fiscal year 1954	Fiscal year 1955	Fiscal year 1956	Fiscal year 1957
Placed in cure:				
Beef	136,095	164,672	168,475	162,948
Pork	3,093,766	3,451,336	3,704,683	3,491,198
Other	2,204	1,958	1,627	1,449
Smoked and/or dried:				
Beef	56,013	60,244	57,064	60,477
Pork	2,139,976	2,439,226	2,637,949	2,515,708
Cooked meat:				
Beef	66,033	73,101	79,769	87,705
Pork	263,175	307,671	312,782	313,338
Other	3,092	4,966	3,945	3,222
Sausage:				
Fresh finished	201,933	221,701	238,390	237,881
To be dried or semidried	126,643	130,224	141,755	142,619
Frankfurters, wieners	555,346	583,979	633,253	663,400
Other	615,003	615,357	619,392	624,880
Loaf, headcheese, chili concarne	196,716	199,550	206,698	207,543
Steaks, chops, roasts	633,492	647,475	701,945	652,392
Meat extract	3,153	2,351	1,901	2,243
sliced bacon	713,408	870,459	998,599	980,138
Sliced other	88,968	124,921	165,258	201,119
Hamburger	188,859	146,648	163,468	221,002
Miscellaneous meat products	39,593	57,491	71,865	90,079
Lard:				
Rendered	1,589,966	1,905,963	2,186,137	2,050,770
Refined	1,250,946	1,422,965	1,657,601	1,636,910
Oleo stock	112,922	114,268	108,576	84,667
Edible tallow	138,296	153,329	185,132	242,140
Rendered pork fat:				
Rendered	89,873	104,059	115,007	102,927
Refined	55,355	62,007	62,858	51,879
Compound containing animal fat	398,489	504,921	578,097	688,310
Oleomargarine containing animal fat	31,260	36,654	54,078	76,049
Canned products	1,988,303	1,915,941	2,307,407	2,167,722
Horse meat products:				
Cured	6,419	7,102	4,543	7,072
Chopped	26,659	21,734	20,053	15,578
Edible oil	2,370	352		
Canned horse meat	19,155	21,226	18,990	20,707
Total	14,833,471	16,373,851	18,207,297	17,804,072

Examination of meat and meat food products for other Government agencies (reimbursable)

[In thousand pounds]

Branch of Government	Fiscal year 1954	Fiscal year 1955	Fiscal year 1956	Fiscal year 1957	Fiscal year 1958 (estimated)
Department of Agriculture:					
Agricultural Marketing Service		23	3,445	15,919	16,000
Commodity Stabilization Service	76	9,566	207,865	111,112	115,000
Forest Service		65	203	237	225
Department of Commerce:					
Civil Aeronautics Administration	28	63	71	24	25
Maritime Administration		18	238	17	20
Department of the Interior:					
Alaska Road Commission			1		
Fish and Wild Life		13	192	167	170
Bureau of Indian Affairs		8	126	158	160
Department of Health, Education, and Welfare:					
Public Health Service	42	365	2,322	2,412	2,400
Department of Justice: Bureau of Prisons	53	56	125	131	130
Department of the Army		171,373	192,526	204,148	200,000
Coast Guard	79	48	47	22	20
Marine Corps	93	73	68	17	20
Department of the Navy	352,550	280,986	156,633	229,848	225,000
General Services Administration		107	1,182	784	800
Veterans' Administration	2,764	21,291	30,776	30,290	31,000
Total	355,685	[1] 484,055	[2] 595,820	[3] 595,286	590,970

[1] Includes 6,716,000 pounds rejected.
[2] Includes 5,209,000 pounds rejected.
[3] Includes 4,323,000 pounds rejected.

Summary of samples examined in laboratories for determination of adulteration or other objectionable conditions, fiscal year 1957

	Number examined	Reported adversely
Meat and meat food product	11,045	1,869
Edible fats and oils	585	6
Binders (cereal, dried skim milk, soya flour)	767	11
Seasonings (spices, flavorings)	4,657	97
Curing materials	1,268	14
Miscellaneous	1,381	85
Samples of animal foods	128	16
Imports	2,183	62
Total	22,014	2,160

Examination of labels and sketches

	Fiscal year 1956	Fiscal year 1957
Number of labels and sketches approved	37,313	35,775
Number of labels approved for imported meat	668	926
Number of labels and sketches refused approval	2,308	2,167
Total number of labels and sketches reviewed	40,289	38,868

Inspection of imported meat and meat food products

Fiscal year:	*Pounds*
1954	334,326,990
1955	278,837,336
1956	277,479,030
1957	361,569,278
1958 (estimate)	375,000,000

21494—58—pt. 2——13

3. *Specimens of diseased tissue examined.*—During the past year, 1,657 examinations of questionable material were made in servicing the needs of inspectors. These included histopathological diagnoses, biological assays, serological identifications, bacteriological evaluations and parasite viability determinations. Five hundred and thirty-nine of these specimens were submitted from animals suspected of being infected with bovine tuberculosis or other diseases, as an aid in animal disease eradication programs. A wide variety of pathological conditions were diagnosed. Since facilities for handling cultures of pathogenic organisms were not available during this year the work was limited to working with formalin fixed tissues (tissues in which the bacteria have been killed).

4. *Methods devised to guard against harmful chemical additives and adulteration in meat products.*—A marked increase in the number and kind of chemical additives prepared by the chemical industry and offered for use in meat products has accompanied an increased public awareness as reflected in congressional hearings of the importance of control of such additives. These additives contribute in many ways to the processing, quality, packaging, and merchandising of the products. Procedures have been put into effect which assure against the use of harmful additives and those which might result in adulteration of food or which conceal inferior product quality.

5. *Certification of meat products for export.*—It has become increasingly difficult to move American meat products freely in normal export commercial channels because of the wide range of requirements which must be met. A plan has been worked out whereby an American exporter is able to obtain official certification covering the detailed specifications of the foreign government or buyer.

6. *Improved processing developed for certain types of semidry summer sausage.*—A harmless bacterial starter has been accepted as an ingredient in sausages of the tangy variety that will assure uniform results in the finished product and avoidance of loss because of processing failure. These sausages depend on a selective fermentation action as part of their processing to acquire the desired taste and quality. When chance inoculation is relied on, there is occasional failure and sometimes substantial loss of product.

SALARY COSTS OF MEAT INSPECTORS

Mr. WHITTEN. The Civil Service Commission, I understand, took the money we allowed for additional inspectors last year and used it for increased pay to employees.

What is going to happen to this $500,000 increase if it is granted? Is there anything pending like that?

Dr. CLARKSON. There is nothing pending like that. There is nothing else pending of similar nature that I know of, Mr. Chairman.

Mr. WHITTEN. How many new inspectors did you put on in the past year? How many new plants did you grant this service to? How many new inspectors do you plan on if this increase is granted?

Dr. CLARKSON. The $240,000 that was appropriated last year as an increase went for service in plants that had recently come under the inspection. I have a tabulation of the 46 involved. The total amount of money for those 46 plants is $283,765.

Mr. WHITTEN. So, then, the increase in pay really served to reduce the number of inspectors available for the older plants.

Is that correct?

Dr. CLARKSON. That is correct. It has been necessary, in order to carry out the change in classification grades for more than 2,000 of our meat inspectors, to stop the hiring of new inspectors except for an occasional veterinarian who is acutely needed for a special case. By attrition—that is, by the normal resignations, retirements, and deaths, which have been running at from 14 to 24 per month—we are gradually reducing our inspection force all through this year. That will continue on until the end of this fiscal year.

During the fiscal year 1957, the meat-inspection appropriation paid for 3,023 man-years of employment. In fiscal year 1958, that employment will be reduced about 143 man-years, due to attrition. This decrease is partially offset by 49 man-years because of the increased appropriation of $240,000 to man new plants and the transfer of $115,000 from other activities, leaving a net decrease of 94, or a total for 1958 of 2,929 as compared with 3,023 in 1957. In 1959, the requested increase of $500,000 would finance 76 man-years of work, but, primarily because of the additional cost of carrying the meat inspectors who were reclassified on October 7, 1957, for a full year in 1959, and the cost of statutory within-grade salary advancements for inspectors, it is estimated there will be a further decrease in meat-inspection employment of 42 man-years for fiscal year 1959, as compared with 1958, or a decrease from 2,929 to 2,887.

Mr. WHITTEN. In that connection, does the law require you, when a new plant wants to come under the inspection service, shipping into interstate commerce, that it must be federally inspected?

Dr. CLARKSON. We see no alternative under the law but that we must give the service to that new plant on the same basis that we give it to a plant that has been shipping interstate and has been under the inspection for a longer period of time. Our procedure then is to spread our force so as to try to give everyone the same proportion of inspectors.

Now, there are some places where that cannot be done, and, actually, the nub of our difficulty in the last few years has been the dispersal of the interstate packing business out to new cities and towns, to smaller, more numerous plants, taking away the flexibility of force that we used to enjoy when most of the inspection work was more concentrated in larger centers.

Mr. WHITTEN. As a matter of usual practice, with the average fairly good-sized plant, does it suit their business operation to run on a regular work schedule of so many hours per day, so many days per week, or do they prefer to run on extended hours for straight days, and less hours in other periods?

In other words, do they run on a staggered workload, or do they run fairly consistent?

Dr. CLARKSON. Well, I would say that, as a matter of preference, every company I know of would work on a standard workweek and a standard workday, but much of the discretion is out of their hands in that livestock must be handled when it comes to market. And then, on the other end of the scale, there are peculiarities in the distribution system.

One of the primary examples of that is in the New York metropolitan area, where there is a great demand for meat on Mondays and Fridays, and on the other days of the week it is very substantially less.

Mr. WHITTEN. Even though the Congress determined that the cost of meat inspection was Federal in nature and Congress should provide the funds, the committee took the view, and Congress approved it, that it is just not possible to supply from Federal funds a sufficient number of inspectors to meet the heavy workload that the packing industry has on some of these days. You do the best you can, and let those businesses take care of any overtime on the part of the inspectors.

Now, in view of that, with the packing industry paying the cost, are you in shape to increase the number of inspectors and limit their

regular hours, and let the industry meet this need by picking up a bigger overtime check?

REIMBURSABLE OVERTIME

Dr. CLARKSON. I think we have carried that to——

Mr. WHITTEN. Do you have the legal right?

Dr. CLARKSON. We do not have the legal right to require or to receive reimbursement from the packer for inspection service that is not overtime to the employee.

We have through the years made what we think is the maximum use of that authority. Just to show how far we have gone, in the case of packers who are working a 24-hour schedule in their processing departments and who put on 3 shifts of men to handle the work, instead of putting on 3 inspectors to cover the round-the-clock work, we have put on 2 men and have worked each of them approximately 11½ hours a day, and then have charged the packer for the cost to the Government of providing overtime payment to those men.

Now, that is not good, from the standpoint of our inspection system, as a man cannot work shifts of that kind consistently and consistently do good work. We do our best to rotate those assignments for that reason. We also rotate them for another reason, a very practical reason to the inspectors themselves, that overtime means an increase in their take-home pay.

Mr. WHITTEN. Well, you agree there is no way for Congress to provide inspectors on an 8-hour day, 40-hour week, to meet a packer's needs for overtime. You would not argue that, just for the convenience of the packers, the Government should keep enough inspectors to cover the 2 heavy days of the week even though they draw pay for a full week?

Dr. CLARKSON. I would agree with that. But, where the workload is such that we have a full work schedule for the inspectors, and then on Monday, Wednesday, and Friday there are additional hours of inspection, the packer can very well reimburse the Government for that kind of overtime expense.

But, when we have additional shifts or additional duties to perform that call for additional inspectors during any hours of the day or night, we see no way in which we could handle that under our overtime authority.

Mr. WHITTEN. What change in the law would you recommend, so that packers might meet their own needs, where they want more inspectors because they prefer to work a couple of days of heavy work, for reasons of their own, and 3 days of light work? What changes in the law would you think would enable you to provide that service at their expense?

Dr. CLARKSON. It seems to me, looking over the whole industry, that the only way in which that can be done equitably is for the Congress to provide a base amount of money, and that all additional costs be assessed pro rata against all meatpackers, according to the total amount of inspection service, other than overtime, which they received during that year.

Any other device runs afoul of the complications of the livestock marketing system, and the meat marketing system, which takes many of the decisions out of the packer's own hands.

INCREASE IN PACKING PLANTS

Mr. NATCHER. Dr. Clarkson, do you anticipate that there will be an increase of the number of plants requiring meat inspection during the fiscal year 1959?

Dr. CLARKSON. Yes, sir; I do.

Mr. NATCHER. What percentage increase do you anticipate?

Dr. CLARKSON. The increase for 1959, above 1958, is estimated at 4 percent.

Mr. NATCHER. Am I correct that in fiscal year 1957, and also at the present time, you have slightly over 3,000 employees in your Meat Inspection Division?

Dr. CLARKSON. Yes, sir.

Mr. NATCHER. What is the exact number?

Dr. CLARKSON. We have a total, as of the end of this fiscal year—as I mentioned a while ago, we are on a basis of monthly attrition—of 2,929 man-years of employment, that are provided by this appropriation.

BUDGET ESTIMATES

Mr. NATCHER. Were additional inspectors requested this year by the Meat Inspection Division?

Dr. CLARKSON. Yes, sir.

Mr. NATCHER. Do you recall the number that were requested, Dr. Clarkson?

Dr. CLARKSON. The Division requested an increase which provided for an additional 396 average annual positions.

Dr. SHAW. The amount of the increase requested was $2 million.

Dr. CLARKSON. Yes. There is in this budget request a $500,000 addition for meat inspection, but I took your question to be the request of the Meat Inspection Division itself.

Mr. NATCHER. Correct.

Dr. CLARKSON. That was for $2 million additional.

Mr. NATCHER. Of the increase there, as far as fiscal year 1959 is concerned, will you have additional inspectors for 1959?

Dr. CLARKSON. To the extent of the $500,000, that will all go for new inspectors.

Mr. NATCHER. How many new inspectors would you have, Dr. Clarkson?

Dr. CLARKSON. Approximately 80.

Mr. NATCHER. Eight?

Dr. CLARKSON. Eighty. Actually, it would be 78 meat-inspector positions.

Mr. NATCHER. That is all, Mr. Chairman.

INCREASE IN SALARIES DUE TO CIVIL SERVICE COMMISSION ACTION

Mr. WHITTEN. Did the Meat Inspection Section recommend this increase in salaries that the Civil Service Commission said that you must grant in the face of the recommendation of the Appropriations Committee to the Congress?

Dr. CLARKSON. It came about this way, Mr. Chairman: The Meat Inspection Division requested that the classification standards be reviewed, as they felt that there were inequities in them. We agreed

with them, and the Department agreed, and the evaluation was made by the Civil Service Commission with the assistance of the Department.

Mr. WHITTEN. Was that recommendation made after the committee report last year?

Dr. CLARKSON. No, sir. This goes all the way back to 1952—1952 was the original request for review. The Civil Service Commission was not able to get at it for a period of a couple of years, and then it took 2 years to make the review and to finally promulgate the new standards.

The new standards were actually decided upon by the Civil Service Commission in April 1957, at which time they issued a press release saying they would go into effect.

At the time we made our requests last year, Mr. Chairman, we thought that we had no alternative but to go ahead.

Dr. SHAW. Mr. Chairman, I would like to add that when we were faced with the decision that we had to make in the Department, which involved reduction in people, if these reclassifications were made, it was my position, and I think it was everyone's position along the line, including the Meat Inspection Division, Mr. Peterson and everyone else, that unless we were forced to put them into effect we were not going to take any action that would require us to further reduce the number of inspectors.

But we were informed that we had no choice, it was a mandatory action.

Mr. WHITTEN. Thank you.

I want to make the record complete on this issue. As you know, some of the members have been disturbed about the action, and it was for that reason that I asked the question.

Are there other question on these items?

HUMANE SLAUGHTER OF ANIMALS

Mr. HORAN. Yes.

We passed a bill the other day, and I would like to know what the impact of that bill will be on the Meat Inspection Service?

Dr. CLARKSON. That is the one to promote humane slaughter of livestock?

Mr. HORAN. Yes.

Dr. CLARKSON. The Department supported legislation for study of this problem but opposed this legislation, and opposed other bills which would require the Secretary to determine methods for slaughter of livestock on the basis of humaneness, and then to require the packers to use only those methods.

The opposition was on the basis that, first, there is not in existence scientific or other facts which would form a basis for an authoritative determination as to which methods are, in fact, humane in the act of slaughtering an animal; and secondly, that this would put the Department of Agriculture in enforcement work, policing the humane handling of animals down into the many communities of the United States where, traditionally, local governments with the aid and support of the well-organized humane groups, have taken care of the problem and, in fact, have a very good record of accomplishment down through the years.

Now, the Department supported legislation which would authorize and direct the Secretary to conduct research, to work with the industry and the humane groups and local authorities in determining improvements in humane handling of livestock all the way from the farm through the slaughter operation, to issue his determinations for the guidance of local groups, to establish an advisory committee with both scientific and practical people on it, to assist him in that effort, and then to use the prestige of the Department to encourage the improvement in humane handling of animals.

Mr. HORAN. As I understand it, this bill has not passed the Congress yet. It has been acted on by 1 side, by 1 body only.

Dr. CLARKSON. That is correct.

Mr. HORAN. If it is passed, if it is not vetoed, what would be the cost of the additional services that have been imposed on the Federal Government?

Dr. CLARKSON. There was some amendment to the bill on the floor, and I have not seen that amendment. Prior to that time, our best evaluation of direct cost to the Department was $200,000 per year. The bill, as I believe it was passed, put the major burden of enforcement on the meat purchasing agencies of the Federal Government in this way, that after a certain date specified in this bill, no agency of the Federal Government could purchase any meat that had been produced in a plant if any of the slaughtering activities in that plan, or in any other plant associated with that company, were conducted by methods that had not been prescribed by the Secretary, or prescribed in the law itself, as being humane.

So that as we see it, there would be a very considerable disruption in the normal handling of Government meat purchase contracts, those for the military and those by the Department in support of prices, and so forth. As it stands right now, I do not know of anyone who could today be in a position to sell meat under this bill.

Mr. HORAN. What was that again?

Dr. CLARKSON. I do not know of any packer that could today qualify under the bill to sell meat to the Government. For example, the bill says that if mechanical means are used, the animals are to be rendered insensible by a single blow or gunshot. We had the attorneys review that to see whether that meant that that was the reasonable intention, or whether that must in fact be carried out. They said the way the bill reads that each animal must, in fact, be dispatched by a single blow or gunshot. That is impossible by any means that anyone has at hand at the present time.

Now improvements have been made, improvements are being made, and we are working with the American Humane Association and the American Meat Institute, and anyone else who wants to work on this problem, to encourage improvements, but improvements have to come through a gradual evolution, and not through Government bills, in our opinion.

COST OF ENFORCEMENT UNDER HUMANE SLAUGHTER BILL

Mr. WHITTEN. What is your idea, and I want this as your best judgment, of what the enforcement of such an act would cost?

Dr. CLARKSON. Humane slaughter?

Mr. WHITTEN. Yes. I mean to follow it through.

Dr. CLARKSON. With the bill as I believe it to be, and I have not seen it with the amendments, we would estimate that $200,000 of direct cost to the Department of Agriculture would be involved for conducting a small amount of research, for making the field studies, for making the determinations, and then working with the advisory group and with the agencies.

Mr. WHITTEN. How about the enforcement after they once set it up, to see that they follow it through?

Dr. CLARKSON. The enforcement of this bill is through the meat-purchase contracts of the Federal Government. There is no penalty provision, except that the packer might falsify in stating to, we will say, the Department of Defense on a contract for the sale of meat to that Department, as to whether or not the methods used for the slaughter of animals from which the meat was derived was humane.

Mr. WHITTEN. Do you have any way to arrive at the increased cost of meat as a result of the falling off of competition?

Dr. CLARKSON. I am unable to do that, Mr. Chairman, except as I mentioned to Mr. Horan, that as of the moment I do not know of any meatpacking plant that could qualify under the law, and I doubt if there would be any great number that would be qualified on the effective date.

Mr. WHITTEN. Is it your observation that the packer, so far as he is able, is going to pass on any extra cost of his product?

Dr. CLARKSON. I have no question about that.

Mr. ANDERSEN. And I suspect this—in a seller's market it would probably come out of the consumer, and in a buyer's market it would probably come out of the livestock producer.

Mr. WHITTEN. I said in my statement" so far as he is able." But I did not give emphasis to the point you made.

Dr. CLARKSON. There is a great deal that can be done in improving the handling of livestock from farm to market, and the Department is most anxious to do its share in that effort. But we firmly and thoroughly believe that legislation which puts the Department in a position of working with these people is the right way, and that legislation that puts the Department in a position of forcing the best methods we can determine as of the moment, and thus in effect tending to sterilize the methods as of that time, is not the right way to go about it.

Mr. WHITTEN. Well, we might pass on, then, to diseases of animals and poultry.

FUNDS REQUESTED FOR MEAT INSPECTION

Mr. VURSELL. Mr. Chairman, since you are on this meatpacking section of the bill, and since I am compelled to spend nearly all my time at another committee meeting simultaneously, I have not had an opportunity or the time to look into the meat inspection part. I would like to ask a question for the purpose of obtaining information for myself.

My question is with reference to this meat inspection.

How much does the record show we appropriated last year?

Dr. CLARKSON. $16,826,000 for the fiscal year 1958.

Mr. VURSELL. And what do you ask in this budget?

Dr. CLARKSON. $17,326,000, an increase of $500,000.

Mr. VURSELL. And for what purpose is the increase?

Dr. CLARKSON. The increase is to provide additional inspectors in the plants.

Mr. VURSELL. My next question is, since there is a great deal of criticism on the part of the packers, how much of this inspection would they pay, percentagewise, or dollarwise, say, in 1958? That is, approximately.

Dr. CLARKSON. In this fiscal year it is estimated there will be just under $5 million of packer reimbursement to the Department for overtime services.

Mr. VURSELL. And is it the duty of the Federal Government to stand the expense of all this meat inspection? What is the law on that?

Dr. CLARKSON. The legislation now in existence declares it to be the policy of the Congress that the costs of meat inspection will be borne by appropriations, except that the packers should reimburse the Department for the costs of overtime inspection.

Mr. VURSELL. I would assume that you will have a greater run of inspection anticipated in 1959 than you had in 1958. Will this $500,000 additional lift any of the burden on the inspectors with relation to the amount they will pay in 1958?

Dr. CLARKSON. Well, the additional $500,000 will help very materially in our ability to cover the total inspection load, which is expected to increase as you indicated. This will not reduce the overtime costs to the meatpackers.

ADDITIONAL PACKING-PLANT COSTS UNDER HUMANE-SLAUGHTER BILL

Mr. VURSELL. Well, so far as that phase of my questioning is concerned, that is about the end of that.

Referring to this bill which was passed the other day, or the one that was proposed to be passed, I do not know how many of the members of the committee had a chance to hear any of the debate on it. I know I did not. And there was no rollcall on the bill, so far as I remember.

But it is my observation, from talking with some people that are in the meatpacking business, that some of the smaller packers, like 4 or 5 particularly in St. Louis and East St. Louis, which come nearest to my congressional district—that it will add a tremendous additional cost. In fact, if one of the modes of operation is to be put into effect—stunning the animals, doing it more humanely—it would require a great deal of extension of facilities, and some of the plants would be unable to stay in that area, because the cities are built up around those plants, and it would practically put some of them out of business, because they would not be able to leave their present location and locate in a place big enough to comply with this law, the proposed law.

My personal opinion is that this matter ought to be given long thought and consideration and study, and if the method of dispatching these animals is changed, it ought not to be done until we know we have got something better than what we have now.

I think it was ill-advised legislation and a reckless act on the part of the Congress to pass it.

That is all I have to say.

Mr. WHITTEN. We turn, then, to diseases of animals and poultry. I will ask that pages 127, 130, and 131 of the justification be included in the record at this point.

(The pages are as follows:)

Diseases of animals and poultry

Appropriation act, 1958 and base for 1959 (transfer from CCC funds)	[1] $1,270,000
Budget estimate, 1959 (transfer from CCC funds)	[1] 1,000,000
Decrease in transfers	−270,000

[1] Eradication activities are financed by transfers from other accounts (Commodity Credit Corporation) as authorized in the annual appropriation act. Transfer of not to exceed $1,270,000 for eradication of vesicular exanthema of swine is authorized for fiscal year 1958 and proposed at not to exceed $1 million for fiscal year 1959. Appropriations to reimbuse the Commodity Credit Corporation for funds transferred, and interest thereon, are discussed under "Special activities" in these justifications.

Project statement

Project	1957	1958 (estimated)	1959 (estimated)
Eradication of vesicular exanthema of swine	$1,355,739	$1,270,000	$1,000,000
Unobligated balance	163,638		
Total available or estimate	1,519,377	1,270,000	1,000,000
Transfers from Commodity Credit Corporation	−1,350,000	−1,225,739	−1,000,000
Reappropriation of prior year balance	−50,000	−44,261	
Transferred to "Salaries and expenses, Agricultural Research Service"	+371,000		
Transfer in 1958 estimates to "Salaries and expenses, Agricultural Research Service"	+3,009,623		
Appropriation or estimate	3,500,000		

STATUS OF PROGRAM

Eradication of vesicular exanthema of swine.—The States are being encouraged to make a greater number of personnel available for this work. The work in fiscal year 1958 is concentrated on (*a*) close surveillance over garbage-fed swine, particularly in those States having the greatest potential for a recurrence of the disease, (*b*) readiness to handle any new outbreaks immediately, (*c*) surveillance over movements of garbage-fed swine and swine products, and (*d*) cleanup of areas under quarantine.

The following table shows the costs of this program by fiscal years since an emergency was declared on August 1, 1952:

Fiscal year	Operating expenses	Indemnities	Grand total
1953	$550,554	$1,662,479	[1] $2,213,033
1954	1,342,892	255,089	1,597,981
1955	1,916,894	165,081	2,081,975
1956	2,010,777	81,403	2,092,180
1957	1,303,240	52,499	1,355,739
1958 (estimated)	1,220,000	50,000	1,270,000
1959 (estimated)	950,000	50,000	1,000,000

[1] Does not include indirect costs at public stockyards or at serum plants for overtime, communication services, etc. Does include $460,647 made available under Salaries and expenses, Agricultural Research Service."

The table and charts which follow show the national status on control of garbage feeding as of November 30, 1957, and other information pertinent to the program.

Foot-and-mouth disease eradication.—Mexico has been free of foot-and-mouth disease since December 31, 1954. At present a small standby staff of American personnel is maintained in Mexico to conduct inspections and keep informed on the livestock health situation through contacts with owners, local vigilance committees, and former Commission employees. In the event of an emergency, the present staff could be immediately expanded and the equipment reactivated.

The following table shows the status of funds available to the Mexican-United States Commission as of September 30, 1957, for the prevention of foot-and-mouth disease. This balance of funds available to the Commission from prior activities is used for field and laboratory examinations of suspected cases of foot-and-mouth disease.

Statement of Mexican-United States Commission for the Prevention of Foot-and-Mouth Disease [1]

	Pesos	*Pesos*
Payments to the Commission:		
By the United States	[2] 34,995,428	
By Mexico	[3] 2,680,920	
		37,676,348
Income from sale of expendable property (to be credited to United States and Mexican Section accounts)		81,843
		37,758,191
Less expenses of Commission:		
Cumulative through June 30, 1957	36,930,240	
From July 1–Sept. 30, 1957	57,131	
		36,987,371
Balance available as of Sept. 30, 1957		770,820
The balance as of Sept. 30, 1957, consists of—		
Cash (less Mexican withholding tax and employees' bond deposits, and income and expenses on sale of liquidation property)		269,690
Cash account of United States Section of Joint Commission—proceeds of sale of canning and rendering plant (750,000 pesos) and income from sale of surplus property (654,164 pesos) available for future payments by the United States to the Joint Commission		[4] 267,910
Receivables		1,010
Equipment		232,210
Balance available as of Sept. 30, 1957		770,820

[1] Because of variations in the rate of exchange this statement is made in pesos.
[2] Includes 175,443 pesos contributed from proceeds of sales of equipment owned by the Eradication Commission; excludes expendable property carried on the Commission's books at a value of 132,104 pesos.
[3] Includes 20,458 pesos contributed from proceeds of sales of equipment owned by the Eradication Commission. This has also been reduced by 44,886 pesos income from sale of surplus property of the Prevention Commission returned to the Mexican Government.
[4] Represents 1,136,254 pesos reduction due to application of funds by the United States Section to Commission expenses.

VESICULAR EXANTHEMA OF SWINE

Mr. WHITTEN. We would like to hear from you with regard to the eradication of vesicular exanthema of swine.

Dr. CLARKSTON. The progress on this program during the past year has been gratifying. We have not had any new cases during the calendar year 1957, for the first time since 1952. We have been able to remove quarantines from all areas except a few areas in the State of New Jersey.

We are maintaining restrictions on the interstate movement of swine and pork to prevent the movement of animals or meat from animals that were fed on raw garbage, as it was found that was one of the primary methods of spread of this disease.

The States continue to maintain their surveillance over the feeding of garbage, and to require that it be cooked under State laws, in 47 of the States. And our reports now show that 95 percent of the garbage fed swine is being fed as cooked garbage, which compares with none some 6 years ago.

Mr. WHITTEN. Is the reason you handle this as you have so that you will not be saddled with a big appropriation that the circumstances may not require?

Dr. CLARKSTON. That is exactly it, sir. We think that an eradication program, such as the one on vesicular exanthema, which may break out in unforeseen proportions, and the eradication of such diseases as foot-and-mouth disease, rinderpest, and the like ought to be handled under an authorization of this kind, so that as soon as the job is done, we can terminate the activity and hold the authorization in reserve for emergencies. I might say in that regard that the financing of the foot-and-mouth disease work in Mexico was terminated under this appropriation some 2 years ago.

Mr. WHITTEN. Are there any further questions? If not, we wish to thank you, Dr. Clarkson, for the fine manner in which you have presented these matters. We realize the complexities of the various programs. We appreciate the way you handle them.

Dr. CLARKSON. Thank you.

STATE EXPERIMENT STATIONS

WITNESS

DR. E. C. ELTING, DEPUTY ADMINISTRATOR FOR EXPERIMENT STATIONS, AGRICULTURAL RESEARCH SERVICE

Mr. WHITTEN. We are happy to have with us now Dr. E. C. Elting, Deputy Administrator for Experiment Stations, Agricultural Research Service.

I would like page 117, and tables A, B, and C of the justification, and also pages 121 through 126, to be included in the record at this point.

(The material referred to is as follows:)

State experiment stations

	Payments to States, Hawaii, Alaska, and Puerto Rico	Penalty mail	Total
Appropriation Act, 1958, and base for 1959	$30,353,708	$250,000	$30,603,708
Budget estimate, 1959	30,353,708	250,000	30,603,708

Project statement

Project	1957	1958 (estimated)	1959 (estimated)
1. Payments to States, Hawaii, Alaska, and Puerto Rico:			
(a) Hatch Act, as amended by the act of Aug. 11, 1955	$28,336,093	$29,181,708	$29,181,708
(b) Agricultural Marketing Act (title II), sec. 204 (b) (Aug. 14, 1946)	500,000	500,000	500,000
(c) Federal administration	551,451	672,000	672,000
Total, payments to States, Hawaii, Alaska, and Puerto Rico	29,387,544	30,353,708	30,353,708
2. Penalty mail	250,000	250,000	250,000
Unobligated balance	116,164		
Total available or estimate	29,753,708	30,603,708	30,603,708
Transferred from "Cooperative extension work, payments and expenses, Extension Service" (71 Stat. 176)	−250,000		
Total appropriation or estimate	29,503,708	30,603,708	30,603,708

TABLE A.—*Distribution of Federal payments to States and expenditures from non-Federal funds for research at State agricultural experiment stations, fiscal year 1957*

State	Federal funds		Total Federal funds	Non-Federal funds	Grand total
	Hatch Act, as amended	Sec. 204 (b) Agricultural Marketing Act			
Payments to States, Hawaii, Alaska, and Puerto Rico:					
Alabama	$656,503	$4,000	$660,503	$1,737,047	$2,397,550
Alaska	189,115	7,700	196,815	279,805	476,620
Arizona	242,744	4,000	246,744	880,763	1,127,507
Arkansas	553,050	2,500	555,550	883,180	1,438,730
California	623,881	19,900	643,781	8,993,939	9,637,720
Colorado	295,207	5,000	300,207	1,310,198	1,610,405
Connecticut	257,355	12,500	269,855	1,004,582	1,274,437
Delaware	200,374	3,500	203,874	417,266	621,140
Florida	364,983	12,500	377,483	3,935,218	4,312,701
Georgia	683,290	9,000	692,290	2,554,204	3,246,494
Hawaii	225,902		225,902	617,581	843,483
Idaho	263,396		263,396	787,654	1,051,050
Illinois	646,678	6,750	653,428	2,478,040	3,131,468
Indiana	563,697	30,500	594,197	[1] 2,861,055	3,455,252
Iowa	566,996	39,100	606,096	2,625,954	3,232,050
Kansas	420,976	15,900	436,876	1,923,689	2,360,565
Kentucky	678,160	11,450	689,610	1,269,140	1,958,750
Louisiana	487,626	3,500	491,126	2,565,925	3,057,051
Maine	271,382	22,500	293,882	374,660	668,542
Maryland	324,339	7,500	331,839	735,386	1,067,225
Massachusetts	305,729	2,000	307,729	612,014	919,743
Michigan	616,658	66,650	683,308	2,847,072	3,530,380
Minnesota	549,404		549,404	2,754,022	3,303,426
Mississippi	663,876	11,300	675,176	1,333,491	2,008,667
Missouri	604,872	36,000	640,872	1,109,117	1,749,989
Montana	257,082		257,082	1,248,334	1,505,416
Nebraska	376,272	4,350	380,622	1,559,625	1,940,247
Nevada	187,956		187,956	189,437	377,393
New Hampshire	220,689		220,689	206,374	427,063
New Jersey	299,774	11,725	311,499	1,777,356	2,088,855
New Mexico	256,191		256,191	438,348	694,539
New York	632,931	5,700	638,631	5,249,326	5,887,957
North Carolina	895,826		895,826	1,810,957	2,706,783
North Dakota	305,093		305,093	873,064	1,178,157
Ohio	730,022	13,750	743,772	2,240,468	2,984,240
Oklahoma	475,107	16,100	491,207	1,520,997	2,012,204
Oregon	333,098	14,000	347,098	2,055,013	2,402,111
Pensylvania	804,192	5,500	809,692	1,611,093	2,420,785
Puerto Rico	610,079		610,079	1,375,384	1,985,463
Rhode Island	196,045		196,045	197,627	393,672
South Carolina	537,946		537,946	805,306	1,343,252
South Dakota	302,878	8,500	311,378	680,231	991,609
Tennessee	683,257	2,100	685,357	980,656	1,666,013
Texas	911,461	26,725	938,186	3,610,697	4,548,883
Utah	231,660	5,000	236,660	690,392	927,052
Vermont	230,244		230,244	182,533	412,777
Virginia	607,773		607,773	1,352,795	1,960,568
Washington	370,397	37,800	408,197	2,461,495	2,869,692
West Virginia	466,076	2,500	468,576	424,311	892,887
Wisconsin	560,498		560,498	3,403,522	3,964,020
Wyoming	209,858	12,500	222,358	531,206	753,564
Subtotal	22,948,598	500,000	23,448,598	[1] 84,367,549	107,816,147
Regional research fund	5,387,495		5,387,495		5,387,495
Administration	551,451		551,451		551,451
Unobligated balance	116,164		116,164		116,164
Subtotal	29,003,708	500,000	29,503,708	[1] 84,367,549	113,871,257
Penalty mail: Reimbursement to Post Office Department for penalty mail costs of State experiment station directors	250,000		250,000		250,000
Grand total	29,253,708	500,000	29,753,708	[1] 84,367,549	114,121,257

[1] Estimated.

TABLE B.—*Appropriations for State experiment stations, fiscal years 1957–59*

State	Fiscal year 1957	Fiscal year 1958	Fiscal year 1959 (estimated)
Payments to States, Hawaii, Alaska, and Puerto Rico:			
Alabama	$656, 503	$675, 365	$675, 365
Alaska	189, 115	192, 838	192, 838
Arizona	242, 744	248, 108	248, 108
Arkansas	553, 050	568, 704	568, 704
California	623, 881	640, 888	640, 888
Colorado	295, 207	302, 297	302, 297
Connecticut	257, 355	263, 581	263, 581
Delaware	200, 374	204, 492	204, 492
Florida	364, 983	382, 280	382, 280
Georgia	683, 290	702, 810	702, 810
Hawaii	225, 902	230, 850	230, 850
Idaho	263, 396	269, 570	269, 570
Illinois	646, 678	664, 711	664, 711
Indiana	563, 697	580, 904	580, 904
Iowa	566, 996	582, 882	582, 882
Kansas	420, 976	431, 938	431, 938
Kentucky	678, 160	697, 676	697, 676
Louisiana	487, 626	500, 911	500, 911
Maine	271, 382	277, 658	277, 658
Maryland	324, 339	334, 282	334, 282
Massachusetts	305, 729	312, 791	312, 791
Michigan	616, 658	633, 732	633, 732
Minnesota	549, 404	564, 837	564, 837
Mississippi	663, 876	683, 356	683, 356
Missouri	604, 872	622, 070	622, 070
Montana	257, 082	262, 962	262, 962
Nebraska	376, 272	385, 933	385, 933
Nevada	187, 956	191, 684	191, 684
New Hampshire	220, 689	225, 395	225, 395
New Jersey	299, 774	306, 763	306, 763
New Mexico	256, 191	262, 074	262, 074
New York	632, 931	650, 177	650, 177
North Carolina	895, 826	922, 278	922, 278
North Dakota	305, 093	312, 525	312, 525
Ohio	730, 022	750, 578	750, 578
Oklahoma	475, 107	487, 779	487, 779
Oregon	333, 098	341, 297	341, 297
Pennsylvania	804, 192	826, 236	826, 236
Peurto Rico	610, 079	635, 215	635, 215
Rhode Island	196, 045	199, 980	199, 980
South Carolina	537, 946	552, 928	552, 928
South Dakota	302, 878	310, 229	310, 229
Tennessee	683, 257	704, 722	704, 722
Texas	911, 461	937, 927	937, 927
Utah	231, 660	236, 754	236, 754
Vermont	230, 244	235, 268	235, 268
Virginia	607, 773	624, 701	624, 701
Washington	370, 397	379, 724	379, 724
West Virginia	466, 076	478, 595	478, 595
Wisconsin	560, 498	576, 166	576, 166
Wyoming	209, 858	214, 287	214, 287
Subtotal	22, 948, 598	23, 581, 708	23, 581, 708
Regional research fund	5, 387, 495	5, 600, 000	5, 600, 000
Administration	551, 451	672, 000	672, 000
Unobligated balance	116, 164		
Payments authorized for marketing research, sec. 204 (b), Agricultural Marketing Act [1]	500, 000	500, 000	500, 000
Subtotal	29, 503, 708	30, 353, 708	30, 353, 708
Penalty mail: Reimbursement to Post Office Department for penalty mail costs of State experiment stations directors	250, 000	250, 000	250, 000
Grand total	29, 753, 708	30, 603, 708	30, 603, 708

[1] Allotted to States by projects on the basis of recommendations by a committee of experiment station directors and approved by the State Experiment Stations Division, Agricultural Research Service.

TABLE C.—*Distribution of Federal grant payments to States and non-Federal funds by fields of research at State agricultural experiment stations, fiscal year 1957*

Field of research	Federal-grant funds	Non-Federal funds
Agricultural engineering	$980,000	$2,278,000
Animal diseases and parasites	1,442,000	4,893,000
Economics of production	1,644,000	2,447,000
Field-crop production	3,835,000	13,246,000
Horticultural-crop production	1,644,000	10,715,000
Human nutrition and home economics	2,105,000	2,531,000
Insect control	1,557,000	4,387,000
Livestock production	5,075,000	21,767,000
New and expanded uses of agricultural products	1,701,000	4,049,000
Plant diseases	1,788,000	4,809,000
Soil and water conservation	3,143,000	9,112,000
Forestry production	288,000	1,012,000
Marketing (domestic)	3,634,093	3,121,549
Total obligations	28,836,093	84,367,549
Administration	551,451	
Unobligated balance	116,164	
Subtotal	29,503,708	84,367,549
Penalty mail	250,000	
Total appropriation	[1] 29,753,708	84,367,549

[1] Includes $500,000 sec. 204 (b) Agricultural Marketing Act funds.

SELECTED EXAMPLES OF RECENT PROGRESS

1. *Test for quick detection of plant viruses developed.*—The Pennsylvania station has developed a new test whereby plant viruses can now be detected within 45 minutes rather than the 3 to 7 days required under previous tests. A 2-percent suspension of red-blood cells is added to a preparation of juice extracts from the fruit or leaf tissue of the plant to be tested. The extract is first treated with a phosphate buffer. If the red-blood cells clump, virus infection is indicated.

2. *Selenium found protective factor against vitamin E deficiency.*—The element selenium, which is poisonous for poultry and other livestock, plays an important role in nutrition. When administered in very low amounts—0.1 to 0.5 parts per million—selenium is a protective factor against the vitamin E deficiency in chicks known technically as "exudative diathesis." This finding of the New York (Cornell) station last year has considerable scientific importance. The research showed that selenium or one of its compounds is identical with the unknown vitamin E sparing factor previously recognized in dried brewers' yeast. This finding may serve as a clue in overcoming the causes of numerous animal diseases, such as muscle disease of calves, stiff-lamb diseases, and leg weakness in turkeys, and even muscular dystrophy in man.

3. *Report of country sales of feeder cattle developed.*—The Arizona station has developed a procedure for making a range-cattle market report in Arizona based on information obtained directly from brand inspectors and reported weekly during the test procedure. Approximately 2,700 copies of each weekly report were distributed to ranchers, cattle feeders, banks, cattle buyers, and livestock newspapers. Ninety-seven percent of the recipients polled in a survey regarded the market-news report as generally accurate and expressed a desire that some agency establish this form of reporting as a permanent service. The station and the Department Market News Service are helping the State develop a permanent service for Arizona cattlemen.

4. *Improved methods devised for studying the biochemistry of cholesterol.*—Cholesterol in animal and human diets has been suspected to be involved in certain blood-vessel diseases. Cholesterol belongs to the group of complex compounds related to fats and known as sterols. Not long ago cholesterol and its immediate derivative, coprosterol, were the only sterols known to occur in the intestinal contents. Recently, biochemists at the Wisconsin station announced discovery of a new member of the sterol group. This was the sixth sterol to be found in the intestinal tract. A laboratory method was developed for producing it in sufficient quantity to be readily available for chemical tests. This research is aimed at getting refined methods for distinguishing between

cholesterol and other closely related sterols in nutritional studies, relating to animals and humans.

5. *New technique developed for anaplasmosis research.*—The Florida station has developed a new laboratory technique to aid in determining the life cycle of anaplasma, microscopic organisms responsible for an increasingly serious disease of cattle, anaplasmosis. These organisms are introduced into the bodies of animals in bites from infected ticks or other bloodsucking insects. The new technique consists of adding a fluorescent material to anaplasma antiserum which is then put on various tissues to be examined under the microscope. Any anaplasma present will take up the stain and become visible under ultraviolet light. In the past, scientists have been unable to locate the organism in the infected ticks. This method offers a possibility of tracing the organism in the tick and of learning more about the disease organism inside the host animal.

6. *Farm drying of rice nets profit.*—A Texas station study of drying and storing rice on the farm shows an average net increase of $1.37 per barrel over the 10-year period 1945–55. The gross benefit consisted of a seasonal price spread of $1.67 per barrel between September and February plus a saving of the normal drying charges of $0.50 per barrel. The cost of owning and operating an on-farm drying and storage unit amounted to 80 cents per barrel. The study indicated that the returns were greater than the costs in 9 years out of 10, also that grade and milling yield could be maintained in the on-farm drying and storage units. Purchase of these units could be amortized over a period of 3 years where average net benefits were obtained each year.

7. *Physiological basis for hybrid corn vigor studied.*—Basic research, undertaken by the Illinois station to establish a physiological basis for hybrid vigor in corn seedlings, has shown that increased enzyme activity is involved. Further study will be directed toward determining whether the enhanced rate of growth is dependent on greater amounts of enzyme or whether it is due to greater enzyme efficiency, in order that information obtained may be incorporated in the breeding program.

8. *Favorable moisture and fertility reduces weed problem in corn.*—Six-year trials carried on by the Iowa station showed that weeds are no problem in cornfields under conditions of favorable moisture and fertility. The experiments show that under conditions of low fertility a moderate infestation of foxtail reduced the yield of corn by 20 to 30 bushels per acre compared to weed-free corn. Where the fertility was higher, the yields were reduced only about 9 bushels. In similar tests where both irrigation and supplemental nitrogen were applied, there was no reduction in corn yield even with a heavy infestation of foxtail.

9. *Irradiation extends shelf life of chicken carcasses.*—Research reported by the Illinois station points to the possibility of pasteurizing food commercially through irradiation. Using dosage levels of 100,000 and 500,000 rep (units of measure used in irradiation work), eviscerated chickens packed in polyethylene bags were successfully pasteurized by irradiation. Later microbiological counts showed that irradiation almost doubled the shelf life of chicken stored at 40° F. and 50° F. No radiation off flavors were readily apparent. The experiments seek to establish practicability of this method in order to increase the shelf life of eviscerated chicken and in turn widen the market area.

10. *Promising controls for spotted-alfalfa aphid found.*—The California station has had considerable success with three internal parasites imported from the Middle East in 1955–56. Within 6 months heavily parasitized aphids had spread over 100 miles. The station has also found two species of parastic fungi effective under certain conditions. The Nevada station is developing an aphid-resistant line of alfalfa which is adapted to the Southwest.

11. *Simple changes in tillage reduce peanut blight.*—In recent years peanut growers have experienced increasing crop losses from southern blight and root rot. The Georgia station has found that there is a relation between increase in the diseases and the popular practice of using dead-plant materials for mulches and dressing of the soil in peanut rows. The fungi causing the two diseases depend on dead organic material for food. They thrive in a moist, well-aerated environment that rarely reaches lower than 3 inches down into the soil. Tilling the upper 3 inches of soil so that little of the dead-plant material remains for the disease organisms has resulted in control of blight and root rot and allowed peanut plants to develop branches and blossoms fully from the lower nodes. By changing their cultural practice growers have increased returns per acre from $45 to $65 without added cost of production.

21494—58—pt. 2——14

12. *Infrared light controls onion fungi.*—Successful control of the grey-neck-rot fungus, *Betrytis allii*, through infrared irradiation of freshly harvested onions is reported by the Texas station. Exposures for periods of 6 minutes controlled the disease both under refrigerated and common storage conditions. The treatment also proved effective in the artificial curing of freshly harvested onions and markedly reduced development of secondary surface fungi that produce a smutted appearance in stored onions.

13. *New variety of strong-flour spring wheat released.*—A new high in milling quality of hard red spring wheat was reached in the development and release of the Conley variety by the North Dakota station. Conley provides unusually strong flour, a quality much sought after by flour mills because it permits milling better flour from weaker (i. e., ordinary) wheats. This specialized use by millers is affording growers of Conley an opportunity for premium prices. The research was done by close collaboration of wheat breeders and cereal technologists.

14. *Cause of vibriosis in sheep established.*—In research aimed at saving sheep ranches the tremendous losses caused by flock abortions from *Vibrio fetus* infections, the Idaho and Utah stations have proved that it is not a breeding disease in which rams are implicated but is caused by the pregnant ewes feeding on materials that have been previously infected with genital discharges of earlier aborting ewes. Abortion losses due to vibriosis occur rarely in the same flock in successive years, indicating that ewes once affected develop some immunity. This suggests that it may be possible to develop a vaccine against the disease.

15. *Cheaper sprout prevention in stored potatoes developed.*—In recent years agricultural experiment stations have made considerable progress in preventing potatoes from sprouting during storage. However, materials used are relatively expensive. The Maine station now reports that monyl alcohol vaporized at intervals into the air flow of potatoes stored in bins at temperatures of 55° F. suppressed sprouting and did so economically. Optimum conditions for sprout control were found when approximately one-third to one-sixth pound of alcohol per ton of potatoes was rapidly vaporized.

16. *Packaging of cut flowers improved.*—The Iowa station found film plastics gave better protection against temperature and mechanical damage in packaging flowers for retail and wholesale shipment than did the old-style wax sheetings. Initially, there was one drawback. The new packaging was tighter and closer, and therefore, favored microbial growth including some harmful fungi. This was overcome by use of a nascent chlorine protective dip, or exposure to ultraviolet radiation, supplemented by careful and generally sanitary handling. Safe liquid foams (hydrophilic polyformaldehyde) proved worthwhile in packages subject to extreme exposure. Soft film wraps proved less likely to encourage molds by bruising flowers than "crinkle" prone films. This work was conducted under funds available under section 204 (b) of the Agricultural Marketing Act.

REGIONAL RESEARCH FUND

For the conduct of research in which two or more State agricultural experiment stations are cooperating to solve problems that concern the agriculture of more than one State, there is available the "regional research fund" authorized by section 3 (c) (3) of the Hatch Act, as amended, (formerly sec. 9 (b) (3) of the Bankhead-Jones Act). This fund amounts to $5,600,000 in 1958. Of the amount appropriated in excess of the 1955 fixed base, not more than 25 percent is allotted to this fund. Allotments are made to stations on the basis of projects recommended by the committee of nine established by the act to represent the State stations.

The following are examples of work carried on in 1957 under this fund:

1. *Research on hazards in the use of insecticides coordinated.*—The combined efforts of all of the State experiment stations and the Department are being directed through six regional projects toward answering the many questions currently asked about the hazards involved in the use of pesticides. A group of north central State stations found that DDT applied to orchards or crops disappears at a fairly rapid rate. The northeastern stations have observed flavor differences after insecticides were applied to peaches, apples, carrots, sweet corn, and broccoli and instruments are being developed to detect these differences. Unique bioassay techniques were developed by the southern State stations, such as counts of mosquito larvae killed by insecticides soaking through

the soil. In the West, the California station developed a residue information coordination center to index methods of application, formulations, timing, weather, sampling methods, and analytical procedures now in use. These efforts will result in determining how and when pesticides can be used to protect crops from pest damage without leaving harmful residues on agricultural products consumed by animals and man.

2. *New plants evaluated.*—The growing demand for new crops and for new germ plasm to maintain crops in the face of disease, insect, drought, and other hazards is being met through the combined efforts of all State experiment stations and the Department. Research is organized under four regional projects with a plant introduction center for each region. In the north central region more than 6,000 items have been grown successfully and 8,478 seed packets have been distributed to research workers. An additional 6,750 packets of tomato seed were distributed in the national cooperative disease evaluation of tomatoes. New crop plants were sought for sources of starch, oil, waxes, proteins, and fiber. Woody planting stock of 30 species and more than 50 accessions were produced for field plantings of fruits and ornamentals.

The northeastern regional station distributed 1,538 introductions to 12 States and this season's seed increase provides 1,190 additional plant materials for the crop improvers of the United States. Payoff introductions include a broccoli from Puerto Rico resistant to downy mildew, cucumbers from Japan resistant to mosaic, tomatoes from Germany which mature extremely early, and alfalfa from New Hampshire which may have resistance to leafhoppers.

Over 6,400 introductions were evaluated by the southern stations, a large number of which have potential value, including a new turf grass superior to any other lawn type grass for the Southern States, and a rust-resistant rye grass from Uruguay.

Stations of the western States received and evaluated over 2,100 materials. Many important new lines and germ plasm were found, including alfalfa and beans relatively free of mosaic and curly top, tomatoes, and eggplants resistant to bacterial wilt, alfalfa resistant to spotted alfalfa aphids and stem nematodes, and drought-resistant clover.

3. *Advances made in search for control of infectious bronchitis.*—Proof has been obtained by the Storrs, Conn., station that there is more than one strain of infectious bronchitis. This is of prime importance in vaccination of poultry because research among the 12 northeastern stations had raised serious doubt as to the efficiency of current vaccines for this disease, which may not be effective for all strains. An accurate challenge method has been developed for use in research on infectious bronchitis and an improved technique for isolating the virus will shorten the time and reduce the number of eggs to be inoculated in potency tests. The widespread occurrence of this disease and changing conditions in the poultry industry require continuous research to improve methods of disease prevention and control.

PENALTY MAIL

Under the terms of Public Law 705, approved July 14, 1956, the Department paid to the Post Office Department $250,000 to cover postage on third- and fourth-class mail sent under the penalty privilege by the State agricultural experiment stations during fiscal year 1957. This payment covered the procurement of 3,157,485 envelopes, wrappers, labels, and tags by the experiment stations in the 48 States, Hawaii, Alaska, and Puerto Rico. Approximately the same volume of mail is anticipated in fiscal years 1958 and 1959.

The Hatch Act of 1887, as amended (7 U. S. C. 361f, Supp. IV), provides for the mailing under penalty indicia by agricultural experiment stations of bulletins, reports, periodicals, reprints of articles, and other publications, including lists of publications necessary for the dissemination of results of research. Mailings include not only those to individual farmers upon request but also to newspapers, libraries, other experiment stations, and organizations interested in results of research and dissemination of such results.

Mr. WHITTEN. Dr. Elting, you have had some substantial increases in the Federal appropriations for experiment stations in recent years. This committee was instrumental in getting the ceiling lifted on the amount of money appropriated annually for payments to States.

Last year this committee had some reports to the effect that many people in the Extension Service and in your service had dropped back

behind the pay level of other folks engaged in agricultural work in the Federal Government. At that time, we put some information in the committee report with reference to the Extension Service. I believe that the witnesses before us last year had to do with extension rather than directly with the experiment stations.

SALARIES AT STATE AGRICULTURAL EXPERIMENT STATIONS

How has your money been used, the increases that you have received in recent years? How has it been handled with reference to whether any part of it has been used toward increases in salary by the States?

Dr. ELTING. In the first place, Mr. Chairman, it should be recognized that the State experiment stations are wholly State institutions, so that the salary scales prevailing at those institutions are determined by the governing boards of those respective institutions. So the Federal Government has no direct role in establishing a salary scale.

So far as the use of the Federal-grant funds in the total experiment station operation is concerned, the law says the money shall be available for paying the necessary costs of conducting research. We have held consistently that these moneys be administered on the basis of support for approved research projects. By that I mean that any increase in any given year has not been earmarked wholly or in part directly for the purpose of increasing salaries.

On the other hand, it is recognized that as salaries have increased over the years, and as these funds have been applied to paying the costs of that research, it has, indirectly, been reflected in the increased salary scales which have been put into effect at the several institutions. And certainly the record will show over the past 10 years there has been a constant effort on the part of the several States, the individual States, to bring their salaries to a level that would permit them to attract and hold effective personnel.

Mr. WHITTEN. I recognize the problem, and I am trying to make the record clear. I would like to have at this point in the record a statement of the increases that have been made in your appropriation in the last 5 years.

Dr. ELTING. Yes, sir.

(The information requested is as follows:)

Appropriations for payments to States, Hawaii, Alaska, and Puerto Rico for research, fiscal years 1954–58

Fiscal year:	
1954	[1] 13,721,708
1955	19,453,708
1956	24,753,708
1957	[2] 29,753,708
1958	[2] 30,603,708

[1] Allotments to States under title II, sec. 204 (b) of the Research and Marketing Act of 1946 included for comparative purposes.
[2] Includes $250,000 for penalty mail costs of agricultural experiment stations.

Mr. WHITTEN. And I would like to have any information that you have as to what action has been taken by the governing boards within the respective States to increase the payment of salaries of personnel, to the extent that you have it.

Dr. ELTING. Yes, sir; that will be done, sir.

(The information requested is as follows:)

Comparison of salaries paid at State agricultural experiment stations in 1952 and 1957

Rank	1952		1957		Percent increase
	Range	Average	Range	Average	
Department head	$5,738–$10,219	$7,370	$6,980–$12,783	$9,087	23.3
Professor	4,940– 9,526	6,836	6,570– 12,700	8,625	26.2
Associate professor	4,790– 7,276	5,718	5,803– 9,199	7,026	22.9
Assistant professor	3,696– 5,804	5,046	4,500– 6,970	5,927	17.5
Instructor	2,977– 4,905	3,769	3,725– 6,026	4,740	25.8

The 1957 salary information given in the above table covers the 1957 fiscal year. Information obtained from several State stations since July 1, 1957, indicates that additional salary increases have been approved but the data available does not permit computation of 1958 average salaries.

Mr. WHITTEN. Now, I note that your budget has approved the same amount this year that you have for the current year.

We, therefore, would like for you to tell us in your own way the highlights of the year's operations and the value that the Federal Government and the people of the United States get through this cooperative program.

RESEARCH PROGRAM AT STATE AGRICULTURAL EXPERIMENT STATIONS

Dr. ELTING. I am pleased to have the opportunity to do that, Mr. Chairman.

The experiment stations in each of the States, and in Hawaii, Alaska, and Puerto Rico, are continuing to conduct effective research on the broad range of problems confronting agriculture in the respective States to the limit of their available resources and facilities.

Perhaps a few statistics at this point would give some measure of the size and productiveness of this current program.

PROJECTS

One measure of the size of the program is the actual number of State research projects which are being supported by these Federal-grant funds.

On July 1, 1957, there were 5,927 active projects on record. During the fiscal year 1957, 1,150 new projects were approved; 299 existing projects were revised; 489 projects were completed. This results in a net gain during that year of 661 projects with a turnover of approximately 14 percent in the total number of projects which had been active in prior years.

The net gain I mentioned there reflects rather accurately the extent to which it was possible to expand the program, with the increases that were granted for fiscal year 1957.

The increases granted for the current fiscal year, which amounted to $850,000, have resulted in some further program increase. We have, from the beginning of this fiscal year to February 1, 1958, approved an additional 390 new projects and 134 revised projects. We do not at this time have a final count as to number of projects actually terminated.

The complete project record statement is made at the end of each fiscal year. But it is apparent that there will be only modest increases in total program this year, partly because of the situation we have just discussed earlier, that costs of going projects have increased, largely due to increased costs of professional personnel.

PERSONNEL

During the fiscal year 1957 there was, I think, no more than what we would consider a normal turnover in staff at the institutions. They actually lost in total 747 staff members, but added 1,049, or a net gain during the year of 302 professional staff members, again reflecting the magnitude of the expansion of staff that was made possible by the increase for 1957.

Mr. WHITTEN. Dr. Elting, as you know I have been on this committee for a good many years, and I know there are many sides to most every problem. But in talking to people in the Extension Service—and I have reference to county agents—frequently they take the view that additional personnel are often employed to the exclusion of putting the county agent on a comparative basis as to salary.

I realize that the institution or the State governing board has to look at many aspects of this problem. But these increased numbers of people have been employed. Would that mean that those who were employed perhaps came in at a different salary level? Would you think that a considerable part of this increase in funds had been used to hire new people, as against strengthening the people they had through adjustments in salary?

Dr. ELTING. Both things have happened, Mr. Chairman. There has been considerable progress in the matter of upward adjustment of salaries across the board. So while they have been able to expand programs of the magnitude described, they have also year by year improved the salary situation and made employment as attractive as possible.

It is important to recognize that when we speak of average salaries or the average competitive position of the experiment stations, there is some danger in generalizing because of the very large range which exists among the stations.

Reference was made, I recall, on Tuesday, to the fact that some of these State institutions were in a more favorable position than the Federal Government, and that the Federal Government was, therefore, placed in an unfavorable position so far as recruiting is concerned.

I would point out that there is that same disparity among these State institutions. And while perhaps a fourth of them are in quite a strong competitive position, there is another half that is only in a reasonably good position, and perhaps another fourth that are quite low so far as their ability to compete effectively for scientific manpower.

Mr. WHITTEN. That goes back to the fact that, while the formula provides for the distribution of the Federal grant, the State itself is also dependent upon its own funds. What they get from their own State is of necessity controlled to a great degree by the ability of the State to support it with appropriations; is that not true?

Dr. ELTING. Yes, sir; that is true. And there is a history, of course, of earlier salary levels to overcome. I would say that many of the States which 10 years ago had quite low salaries have greatly improved their competitive position. So that this situation of improvement is not limited to any region. The improvement is quite generally through all areas of the country, although there are still some regional differences that are quite apparent as you develop averages on a regional basis.

NON-FEDERAL FUNDS AT STATE STATIONS

Mr. WHITTEN. What has been your experience in the last year as to the appropriations by the States. We put a tabulation in the record. Generally speaking, has it remained constant?

Dr. ELTING. The appropriation at the State level has been an encouraging picture over the past 10 years. I would call your attention to 1 chart and 2 tables which I have placed before each of you since this committee has always shown an interest in the relative level of support being provided from Federal and State funds.

On the chart we have provided a continuing record from the beginning of the experiment stations up to date, and the ratio between Federal-grant and non-Federal funds is indicated on this chart. It has varied considerably from year to year, but in general it has not fallen below a level of about $3 of State money to each dollar of Federal grant money provided.

The increase in non-Federal funds for 1957, which is the last year for which we have a report of expenditures, was of the magnitude of about $6 million.

I think it is significant to note that during the 10-year period since the passage of the Research and Marketing Act, from fiscal 1948 to 1957, while the Federal-grant funds have increased very significantly, during that same period the increases from State sources amounted to $2.62 for each dollar increase in Federal grants.

So there is obviously continued strong support for research at the State level.

PRODUCTION RESEARCH AT STATE EXPERIMENT STATIONS

Mr. WHITTEN. Dr. Elting, you have been present, I know, through a good many hours of these hearings where other witnesses were testifying. I know you are familiar with the statement I expressed, and I was joined by many others. I deplore the current opinion expressed by many magazines and many newspapers and many public leaders to the effect that we are spending too much money in production research. I don't subscribe to that in the least.

Where we see the constant increase in labor charges and in industry markups, and in the cost of everything that the farmer buys—when we see 60 percent of the consumer dollar now going to those other than the farmer, leaving the farmer only 40 cents out of the consumer dollar—where only a few years ago he was getting in excess of 50 cents—it is my belief that the only reason that the consumer is getting the fine food that he is, and the only reason the farmer is not in a worse fix than he is, is what we have been able to do in production research.

And I hate to see this public clamor for cutting down production research, which is largely what the experiment stations do—is that true?

Dr. ELTING. That is true.

Mr. WHITTEN. Now, I realize this is a general question I am going to ask you, but if the American farmer had not used the results of your production research in the last 20 years, and farming today was on the basis that it was 20 years ago—don't you believe that the American people would be apt to be hungry, insofar as having enough production to meet their needs?

Dr. ELTING. I think if we examine the increases in efficiency which have occurred during the period you have mentioned—I am sure we agree that a large part of the increase in that efficiency is due to the findings of research and their application—then it is rather obvious that production that would be obtained today at the levels we were producing 20 years ago would not result in the abundances we have today, but in scarcity and certainly in high prices of food for the consumer.

Mr. WHITTEN. And the farmer, who today is just breaking even certainly, would have gone out of existence some years ago if he had not been able to avail himself of the things that he has learned through research.

Dr. ELTING. I think that is very true. The facts will certainly substantiate that expression.

Mr. WHITTEN. It has been my belief that some of the demand for research has been increased because of our system of acreage controls, which of necessity places the farmer where he must get the absolute maximum from the acres that he can plant in certain controlled crops.

It is also my belief that reduction in price, which has made the farmer much more dependent on additional yields, may have increased to some extent the demand by farmers for more and more research.

But whether I am right or wrong as to that, the history of this country shows that the future is largely dependent upon continuing our efforts on a very strong basis in the field of research. Isn't that true?

Dr. ELTING. We certainly feel that way. To decrease the level of research in most any area—and it is particularly true in those areas that make for greater efficiency and afford protection against the ravages of diseases and pests—would be poor economy. There would be a very rapid deterioration in our production picture if new facts were not constantly being made available that permit us at least to keep abreast, if not get very far ahead, of some of these pests that constantly confront the farmer.

AGRICULTURAL PRODUCTION AND RESEARCH IN FOREIGN COUNTRIES

Mr. WHITTEN. The members of this subcommittee filed a report on their return from a trip to South America. I regret circumstances prevented me from going. While they had very fine things to report about our neighbors to the south, one of the things that struck me was realizing how much difference there is generally in the standard of living in the northern continent of America and the standard of

living in the southern continent of America. I could not help but come to the belief that a lot of it is the difference between the money we have spent in research and in the control of pests and that kind of thing. The members of this committee have come back to report that in much of South America pests and pestilence and diseases are just largely left to run their course. If it destroys things, it just destroys them.

In my mind we must continue spending a portion of what we make to keep ahead of these things, and in trying to get two blades of grass to grow where one grew before.

Have you had any occasion to study other countries and compare our efforts with theirs?

Dr. ELTING. I have no data that I could use to support the statements you have made, although I feel certain that that is the case. And I think it is important to recognize that we have very important major control and eradication programs that are in the public eye—some of them have been discussed here today, and certainly they are important.

I think equally important are the less spectacular things that go on continuously, sir, that perhaps do not get the publicity, and yet loom quite as large, in terms of the total protection rendered to the producers of this country.

The everyday practices in controlling insects through the use of chemicals, the everyday use of improved varieties that are disease-resistant—those things perhaps in themselves are not spectacular, but certainly they loom very important in permitting us to maintain the high level and the high efficiency of production that we have attained.

NEED FOR RESEARCH TO MAINTAIN CURRENT PRODUCTION LEVELS

Mr. WHITTEN. We have both been talking about the advances in these fields. But in actuality, the cost of conflict in nature between pest and diseases and growing plants is such that if you do not make progress, usually you go backward. Pest and pestilence is constantly on the move, and that which worked a few years ago may not work at all today. Isn't that true?

Dr. ELTING. That is true. We have given one classic example to this committee before, but it still stands out as an excellent example of what you say.

There is the situation regarding oat production throughout the Midwest—where we have seen over a period of 15 years at least 4 new varieties come into the picture to take their place as resistant against a certain disease, and then a few years later find that one variety had to be replaced by still another variety that had resistance to still another threat or disease to the industry.

So it has been a continuous fight, and to a large extent that is true for other crops in our economy.

ROLE OF FEDERAL GOVERNMENT IN STATE RESEARCH PROGRAM

Mr. WHITTEN. Dr. Elting, I come from a section where we think a lot of States rights. On occasion I see others in government talking about State responsibility, and I agree with that too—they do have it. But frequently it is urged that these various Federal appropriations,

which are made to the State experiment stations, are not a Federal responsibility.

I will say here I don't subscribe to that. In my State we have what we call a State equalizing fund for education, so that the poorer counties will be able to participate in the school program on somewhat the same basis as the richer counties.

I am of the opinion that a Federal fund helps those poorer States to meet their problems close to the same way as the richer States. But actually doesn't the Federal program in particular tend to prevent lots of duplication of effort and lots of duplication of expenditure within the various States.

As I recall it, your operation is first to pass judgment on any project in any State for which Federal funds are used. In addition to that, you see that Federal money is not used for the same kind of project in a variety of States, unless there is a regional reason for that. In other words, you pull the whole resarch program together where Federal funds are involved. Being in the picture, you have a chance to prevent States from duplicating the other's efforts.

Dr. ELTING. Yes, sir.

I would say that a major part of our activity in connection with the administration of the Federal grants is in the area of effective planning and coordination of research, and in that process we are able to prevent a good deal of unnecessary duplication.

I am sure the directors of the State experiment stations agree with us that the value of the Federal grants cannot be measured strictly in terms of the degree of support that they afford in the total State program, because there is this opportunity you have described to have one agency view the total program being conducted by all of the States, to advise with them, to work with them in this process of research coordination. And in that connection, I would emphasize that the feature of the Research and Marketing Act which provided that a portion of those funds be set aside to support regional research, that is, research affecting the agriculture of two or more States, has been a very effective device in this process you have described.

It has permitted a cooperative effort. It has stimulated joint planning to an extent that I believe would not have come about any other way. And in that process, I am sure that we have achieved a greater degree of coordination during the past 10 years than ever had been achieved before, and that we are getting more for our research dollar.

Mr. WHITTEN. Mr. Natcher?

FIELD CROPS PROJECTS

Mr. NATCHER. Dr. Elting, I notice from one of the charts that you have passed around to the committee it shows the field crops projects carried out during the fiscal year 1956–57, and those estimated for 1958. I believe here for 1956 it is 761 field crop projects, and for 1957, it will be 821, and estimated for 1958 it is to be 794.

Approximately what will be the total estimate of projects for 1959, Doctor Elting? That is, field crops.

Dr. ELTING. We would assume that that number would be essentially unchanged for 1959 inasmuch as the appropriation level requested is the same as for the current fiscal year.

While there is a constant turnover, a constant completion of projects, the relative relationship between these major fields changes only a very small amount from year to year.

MAJOR CHANGES IN RESEARCH AT STATE STATIONS

Since you brought this table up, I had wanted to explain certain trends that are brought out by it. We believe it indicates certain shifts that are occurring in emphasis in the total program.

I would call your attention to the fact that the relatively larger increases have occurred in 4 or 5 areas. Those include the fields of marketing, the field of animal disease investigation, farm forestry, and in the areas of plant disease and insect control. There has also been substantial expansion in the area of farm economies and agricultural adjustment, which we believe is a very timely adjustment also in the total program.

But the purpose of this table essentially was to show those trends which are apparent here over the 3 fiscal years.

UTILIZATION RESEARCH AT STATE STATIONS

Mr. NATCHER. Doctor Elting, I notice under "Utilization," you have your percentage increase over 1956 of 9.3. Considering the importance of this particular subject at the present time, is that rate of increase correct in your own way of thinking?

Dr. ELTING. The rate of increase there is about the average which has occurred for the total program. It means, then, that the States have not put particularly greater emphasis on this field than they had in preceding years. I think there are good reasons, perhaps, why activity might be stepped up in this area.

Mr. NATCHER. Dr. Elting, this is one field where a little cultivation as far as the Department is concerned with the States would probably help. Isn't that correct?

Dr. ELTING. That is true. And you will recognize, I am sure, that the States have looked to the Department to take the lead in this utilization research, particularly in this area of seeking new industrial outlets for agriculture commodities, because of the extensive laboratory facilities and developmental facilities that are required in this type of research. With the establishment of the 4 major regional utilization research laboratories in the Department, dedicated to this problem, the States have not been as aggressive as perhaps they would have been otherwise in expanding this area of research.

On the other hand, they have made excellent progress in the area of improving the processing of products from the farm, and I would say, frankly, that more of the utilization research, so classified here, is in that field, rather than strictly in the area of seeking new industrial outlets for our commodities. However, I would not want to leave the impression that the States have no competency in that area, because they do.

Mr. NATCHER. Mr. Horan, do you have any questions at this point?

Mr. HORAN. Just one.

ALLOCATION OF GRANT FUNDS TO STATES

I would like to have a little further explanation. I have read the apportionment formula on page 120 of the green sheets, and then I

notice this agricultural income of experiment stations on the chart that you handed out to us. And I notice a tremendous variation there, and I would like to have some explanation of it.

Dr. ELTING. I should explain, Mr. Horan, that as far as the formula is concerned, it is entirely reflected in the column entitled "Federal Funds." That is the reflection of your formula distribution.

The second column, headed "Non-Federal Funds," is entirely an expression of what the States are providing from their own resources. It has no relation whatsoever to the first column. It simply means, in fact, that California is providing, out of its own treasury, and from other non-Federal funds, a sum there of nearly $9 million.

Mr. HORAN. I think they get some funds from such organizations as the Giannini Foundation, and that sort of thing.

Dr. ELTING. They do. They receive some funds other than State-appropriated funds. But they are for this purpose labeled as non-Federal income. And the size of that column bears no relation to the formula distribution or the amount of the Federal grant.

Now, a major part of the Federal grant funds must be matched by the States from funds of their own origin. But beyond that simple matching requirement there is no other factor in the Federal-grant legislation that affects the level of State support. That simply means that the legislature and other authorities in the State are convinced that they are justified in putting that amount of non-Federal funds into agriculture research in their State.

Now, you will note that we have given you a second table, an expenditure table, on which there is shown in the right-hand column a ratio between the Federal grant and the non-Federal funds, and you will see that that ratio varies greatly between the States, ranging all the way from less than 1 in 2 or 3 States to a ratio of 11 to 1 in California.

Now, that high ratio is the reflection simply of a high level of State appropriation.

Mr. HORAN. Yes. I notice New York State, the ratio is the highest, I guess—12.87.

Now, I am just interested. I notice the one that receives the biggest amount is Texas. Now, that is because of the rural population?

Dr. ELTING. That is because of the provision of the formula which is based in part on rural and in part on farm population in the State.

Mr. HORAN. That is all, Mr. Chairman.

Mr. NATCHER. Mr. Vursell?

Mr. VURSELL. I don't believe I have any questions.

Mr. NATCHER. Dr. Elting, we want to thank you for the fine statement that you made. And at this time, I want all of you gentlemen to know, and Dr. Shaw, especially, that we appreciate the fine work that you people are doing. Ordinarily, when the Secretary comes in, as my friends on my left know, I very promptly say to him that I consider it a pleasure to sit on this side of the table and hear you people present your proposals for the fiscal year. You know what you are doing, and it is certainly a pleasure to sit on this side and to work with you people.

Dr. SHAW. Thank you, very much, sir.

Mr. VURSELL. May I ask a question off the record?

(Discussion off the record.)

Mr. NATCHER. The committee will stand adjourned until 11 o'clock in the morning.

FRIDAY, FEBRUARY 7, 1958.

EXTENSION SERVICE

WITNESSES

ERVIN L. PETERSON, ASSISTANT SECRETARY OF AGRICULTURE
C. M. FERGUSON, ADMINISTRATOR, EXTENSION SERVICE
P. V. KEPNER, DEPUTY ADMINISTRATOR, EXTENSION SERVICE
L. M. SCHRUBEN, ASSISTANT ADMINISTRATOR, EXTENSION SERVICE
CHARLES L. GRANT, DIRECTOR OF FINANCE AND BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

COOPERATIVE EXTENSION WORK, PAYMENTS AND EXPENSES

Program and financing

	1957 actual	1958 estimate	1959 estimate
Program by activities:			
1. Payments to States, Hawaii, Alaska, and Puerto Rico:			
(a) Payments for cooperative agricultural extension work under Smith-Lever Act	$47,048,430	$49,220,000	$49,220,000
(b) Payments and contracts under the Agricultural Marketing Act	1,455,489	1,495,000	1,495,000
2. Retirement costs for extension agents		5,208,855	5,479,375
3. Penalty mail	2,164,000	2,164,000	1,868,480
4. Federal Extension Service	1,949,007	2,096,540	2,096,540
Total obligations	52,616,926	60,184,395	60,159,395
Financing: Unobligated balance no longer available	648,074	51,145	
New obligational authority	53,265,000	60,235,540	60,159,395
New obligational authority:			
Appropriation	$53,515,000	$60,235,540	$60,159,395
Transferred to "State experiment stations," Agricultural Research Service (71 Stat. 176)	−250,000		
Appropriation (adjusted)	53,265,000	60,235,540	60,159,395

Object classification

		1957 actual	1958 estimate	1959 estimate
	Total number of permanent positions	256	247	247
	Full-time equivalent of all other positions	2	1	1
	Average number of all employees	236	241	241
	Number of employees at end of year	232	243	243
	Average GS grade and salary	8.4 $6,398	8.6 $6,558	8.6 $6,614
01	Personal services:			
	Permanent positions	$1,527,447	$1,570,799	$1,593,684
	Positions other than permanent	10,733	2,695	2,587
	Other personal services	8,107	14,006	14,100
	Total personal services	1,546,287	1,587,500	1,610,371
02	Travel	210,881	212,500	210,000
03	Transportation of things	21,576	22,000	21,000
04	Communication services	28,896	25,000	25,000
	Penalty mail for cooperative extension agents and State extension directors	2,164,000	2,164,000	1,868,480
05	Rents and utility services	618	700	700
06	Printing and reproduction	70,117	72,000	70,000
07	Other contractual services	372,635	152,500	149,629
	Services performed by other agencies	28,061	33,000	30,000
08	Supplies and materials	16,721	17,000	13,000
09	Equipment	12,515	16,500	9,000
11	Grants, subsidies, and contributions		5,305,395	5,575,915
	Payments to States, Hawaii, Alaska, and Puerto Rico	48,120,879	50,575,000	50,575,000
13	Refunds, awards, and indemnities	22,500		
15	Taxes and assessments	1,240	1,300	1,300
	Total obligations	52,616,926	60,184,395	60,159,395

Mr. WHITTEN. The committee will please come to order.

At this point in the record we will include pages 140 through 143 of the justifications as well as tables 1 through 3.

(The material referred to follows:)

EXTENSION SERVICE

PURPOSE STATEMENT

Cooperative agricultural extension work was established by the act of May 8, 1914, as amended by the act of June 26, 1953 (7 U. S. C. 341–348), and the act of August 11, 1955 (7 U. S. C. 347a), to aid in diffusing among the people of the United States useful and practical information on subjects relating to agriculture and home economics and to encourage the application of such information. The acts authorize the Department of Agriculture to give, through the land-grant colleges, instruction and practical demonstrations in agriculture and home economics and related subjects to persons not attending or resident in the colleges, by means of demonstrations, publications, and otherwise. Extension educational work is also authorized under the Agricultural Marketing Act of 1946 (7 U. S. C. 1621–1627).

Cooperative agricultural extension work is carried on by incorporating research results, technological advancements, and situation and program facts of the Department of Agriculture and the agricultural colleges and experiment stations into a national educational program to provide the means by which people can effectively solve their farm, home, marketing, and related problems.

Among the major objectives of this work are to:

1. Assist producers to apply the results of research and advancing technology to increase farm efficiency and farm income.
2. Assist people to adjust the use of their agricultural resources in line with effective market demand.
3. Assist farmers to develop, improve, and conserve agricultural resources.
4. Assist producers and managers of marketing firms to expand markets for agricultural products.
5. Assist marketing firms to apply the results of research and advancing technology to reduce marketing costs and increase marketing efficiency.
6. Improve home management and family and community living.
7. Assist farm families to effectively appraise the off-farm forces affecting their operations.
8. Develop an informed and competent rural youth through 4–H Club work.
9. Assist local groups to appraise area problems and opportunities and develop organized programs of self-help in the interest of both individual family and group welfare.

The cooperative extension service is financed from Federal, State, county, and local sources. These funds are used within the States for the employment of county agents, home demonstration agents, 4–H Club agents, State specialists and others who conduct, among rural people, the joint educational programs adapted to local problems and conditions.

The Federal Extension Service, the educational arm of the United States Department of Agriculture, provides leadership, counsel, and assistance to the extension services in the 48 States, and Hawaii, Alaska, and Puerto Rico including county extension offices in more than 3,000 counties. The Federal Extension Service, as a partner in the cooperative extension effort, is responsible for administering Federal laws authorizing extension work; helping to maintain a modern, efficient, and dynamic extension system in each State and Territory; coordinating the work among the States in cooperation with committees of State directors and through other means; pioneering in new educational methods; evaluating the

results of work performed; maintaining liaison with research, service, adjustment, and regulatory agencies of the Department; coordinating all educational work of the Department; and cooperating with other departments of Government and private organizations in matters relating to extension education.

On November 30, 1957, there were approximately 14,000 extension field agents under cooperative appointment and 251 Federal employees, 241 of whom were headquartered in Washington.

	Appropriated, 1958	Budget estimates, 1959
Appropriated funds:		
Payments to States, Hawaii, Alaska, and Puerto Rico	$50,715,000	$50,715,000
Retirement costs for extension agents	5,260,000	5,479,375
Penalty mail	2,164,000	1,868,480
Federal Extension Service	2,096,540	2,096,540
Total, appropriated funds	60,235,540	60,159,395

Cooperative extension work, payments and expenses

	Payments to States, Hawaii, Alaska, and Puerto Rico	Retirement costs for extension agents	Penalty mail	Federal Extension Service	Total
Appropriation Act, 1958 and base for 1959	$50,715,000	$5,260,000	$2,164,000	$2,096,540	$60,235,540
Budget estimate, 1959	50,715,000	5,479,375	1,868,480	2,096,540	60,159,395
Increase or decrease		+219,375	−295,520		−76,145

Summary of increases and decreases, 1959

Retirement costs for extension agents: To provide for employer's share of Federal contributions to the retirement fund for cooperative extension agents pursuant to Public Law 854	$219,375
Penalty mail: Decrease in the cost of penalty mail for cooperative extension agents and State extension directors	−295,520

Project statement

Project	1957	1958 (estimated)	Increases or decreases	1959 (estimated)
1. Payments to States, Hawaii, Alaska, and Puerto Rico:				
(a) Payments for cooperative agricultural extension work under Smith-Lever Act	$47,048,430	$49,220,000		$49,220,000
(b) Payments and contracts under the Agricultural Marketing Act	1,455,489	1,495,000		1,495,000
2. Retirement costs for extension agents		5,260,000	+$219,375	5,479,375
3. Penalty mail (for extension agents and State extension directors)	2,164,000	2,164,000	−295,520	1,868,480
4. Federal Extension Service	1,949,007	2,096,540		2,096,540
Unobligated balance	648,074			
Total available or estimate	53,265,000	60,235,540	−76,145	60,159,395
Transferred to "State experiment stations, Agricultural Research Service"	+250,000			
Total appropriation	53,515,000			

TABLE I.—*Extension service appropriations for the States, Hawaii, Alaska, and Puerto Rico*

	1958	Increases or decreases, 1959	Total proposed for 1959
Payments to States based on rural and farm population Smith-Lever Act, sec. 3 (b) & 3 (c) 2:			
Alabama	$1,750,776		$1,750,776
Arizona	235,729		235,729
Arkansas	1,431,327		1,431,327
California	1,209,203		1,209,203
Colorado	441,026		441,026
Connecticut	251,465		251,465
Delaware	122,218		122,218
Florida	569,560		569,560
Georgia	1,829,134		1,829,134
Idaho	333,700		333,700
Illinois	1,477,600		1,477,600
Indiana	1,228,413		1,228,413
Iowa	1,333,139		1,333,139
Kansas	900,354		900,354
Kentucky	1,721,368		1,721,368
Louisiana	1,141,793		1,141,793
Maine	325,541		325,541
Maryland	456,427		456,427
Massachusetts	354,345		354,345
Michigan	1,345,266		1,345,266
Minnesota	1,275,849		1,275,849
Mississippi	1,801,043		1,801,043
Missouri	1,510,938		1,510,938
Montana	332,029		332,029
Nebraska	755,086		755,086
Nevada	93,627		93,627
New Hampshire	171,664		171,664
New Jersey	349,868		349,868
New Mexico	302,170		302,170
New York	1,268,037		1,268,037
North Carolina	2,335,325		2,335,325
North Dakota	516,977		516,977
Ohio	1,673,608		1,673,608
Oklahoma	1,217,996		1,217,996
Oregon	475,249		475,249
Pennsylvania	1,659,259		1,659,259
Rhode Island	94,926		94,926
South Carolina	1,262,016		1,262,016
South Dakota	518,314		518,314
Tennessee	1,741,341		1,741,341
Texas	2,804,456		2,804,456
Utah	224,415		224,415
Vermont	215,214		215,214
Virginia	1,416,507		1,416,507
Washington	590,823		590,823
West Virginia	874,729		874,729
Wisconsin	1,269,508		1,269,508
Wyoming	175,028		175,028
Alaska	73,752		73,752
Hawaii	233,841		233,841
Puerto Rico	1,480,712		1,480,712
Subtotal	47,172,691		47,172,691
Special need funds, sec. 3 (b) and 3 (c) 1 of Smith-Lever Act	1,157,309		1,157,309
Smith-Lever Act, sec. 8 funds	890,000		890,000
Agricultural Marketing Act funds (including contracts)	1,495,000		1,495,000
Total payments and contracts	50,715,000		50,715,000
Retirement costs: Federal share of retirement costs for cooperative extension employees	5,260,000	219,375	5,479,375
Penalty mail: Reimbursement to post office for penalty mail for Extension Service	2,164,000	−295,520	1,868,480
Grand total	58,139,000	−76,145	58,062,855

TABLE II.—*Sources of funds available for cooperative extension work in States, Hawaii, Alaska, and Puerto Rico for the fiscal year ending June 30, 1958*

States	Grand total	Total Federal funds	Total within the States	Funds from Federal sources		Funds from within the States		
				Smith-Lever Act as amended	Agricultural Marketing Act [1] (title II)	State and college	County	Nontax sources
Alabama	$3,471,569.54	$1,802,165.54	$1,669,404.00	$1,771,395.54	$30,770.00	$971,155.00	$698,249.00	
Arizona	788,794.46	307,728.21	481,066.25	307,728.21		417,236.25	63,830.00	
Arkansas	3,049,028.44	1,493,033.44	1,555,995.00	1,470,333.44	22,700.00	1,108,038.00	387,557.00	$60,400.00
California	5,889,434.43	1,275,970.44	4,613,463.99	1,236,202.44	39,768.00	3,316,749.99	1,296,714.00	
Colorado	1,466,346.36	512,879.36	953,467.00	506,279.36	6,600.00	493,912.00	459,555.00	
Connecticut	846,039.92	259,725.92	586,314.00	251,465.92	8,260.00	340,755.00	231,615.00	13,944.00
Delaware	313,081.88	150,668.88	162,413.00	131,068.88	19,600.00	147,305.00	5,500.00	9,608.00
Florida	2,403,223.54	600,680.54	1,802,543.00	580,760.54	19,920.00	1,059,217.00	743,326.00	
Georgia	4,101,213.89	1,966,165.89	2,135,048.00	1,921,780.89	44,385.00	1,168,208.00	961,140.00	5,700.00
Idaho	1,224,492.00	382,499.80	841,992.20	375,699.80	6,800.00	521,742.20	294,200.00	26,050.00
Illinois	4,184,899.47	1,510,899.47	2,674,000.00	1,481,999.47	28,900.00	1,605,425.00		1,068,575.00
Indiana	3,373,691.29	1,276,197.29	2,097,494.00	1,235,197.29	41,000.00	1,055,870.00	1,041,624.00	
Iowa	4,029,810.70	1,379,739.70	2,650,071.00	1,333,139.70	46,600.00	1,155,406.00	1,494,665.00	
Kansas	3,439,167.00	984,854.00	2,454,313.00	939,854.00	45,000.00	669,578.00	1,724,900.00	59,835.00
Kentucky	3,113,884.82	1,811,911.70	1,301,973.12	1,779,611.70	32,300.00	828,000.00	473,973.12	
Louisiana	3,425,943.91	1,228,016.03	2,197,927.88	1,178,516.03	49,500.00	1,911,335.35	276,857.53	9,735.00
Maine	780,696.57	359,289.37	421,407.20	340,839.37	18,450.00	287,829.20	133,578.00	
Maryland	2,071,729.55	514,861.55	1,556,868.00	474,211.55	40,650.00	1,225,208.00	331,660.00	
Massachusetts	1,534,347.90	394,344.95	1,140,002.95	354,344.95	40,000.00	421,546.42	718,456.53	
Michigan	4,578,383.23	1,514,726.23	3,063,657.00	1,373,726.23	141,000.00	2,207,000.00	777,381.00	79,276.00
Minnesota	2,643,995.18	1,332,311.95	1,311,683.23	1,304,161.95	28,150.00	630,075.00	678,108.23	3,500.00
Mississippi	3,566,793.50	1,905,674.64	1,661,118.86	1,875,658.64	30,016.00	867,833.94	743,694.92	49,590.00
Missouri	3,368,153.81	1,655,975.76	1,712,178.05	1,588,875.76	67,100.00	950,000.00	622,631.00	139,547.05
Montana	1,302,722.54	420,328.54	882,394.00	410,328.54	10,000.00	466,568.00	415,826.00	
Nebraska	2,044,494.90	812,085.39	1,232,409.51	801,785.39	10,300.00	785,409.51	447,000.00	
Nevada	461,318.28	185,276.18	276,042.10	180,326.18	4,950.00	177,844.10	98,198.00	
New Hampshire	552,635.73	180,191.98	372,443.75	171,664.98	8,527.00	232,227.75	140,216.00	
New Jersey	1,682,448.88	367,368.10	1,315,080.78	349,868.10	17,500.00	734,515.00	576,869.78	3,696.00
New Mexico	1,066,998.80	426,558.80	640,440.00	402,798.80	23,760.00	495,440.00	145,000.00	
New York	6,136,174.00	1,306,288.11	4,829,885.89	1,268,038.11	38,250.00	2,088,056.81	2,385,302.13	356,526.95
North Carolina	6,492,040.44	2,473,308.44	4,018,732.00	2,398,308.44	75,000.00	2,598,496.00	1,420,236.00	
North Dakota	1,242,938.32	568,934.82	674,003.50	553,976.82	14,958.00	258,079.50	415,924.00	
Ohio	3,434,694.60	1,732,055.60	1,702,639.00	1,695,887.60	36,168.00	884,654.00	771,609.00	46,376.00
Oklahoma	3,161,214.09	1,337,178.09	1,824,036.00	1,271,828.09	65,350.00	1,200,236.00	597,684.00	26,116.00
Oregon	2,860,194.85	584,207.00	2,275,987.85	540,239.00	43,968.00	1,714,531.85	561,456.00	
Pennsylvania	3,642,792.13	1,697,764.13	1,945,028.00	1,672,284.13	25,480.00	1,442,784.00	500,000.00	2,244.00
Rhode Island	235,671.00	98,987.10	136,683.90	94,927.10	4,060.00	108,658.00	23,550.00	4,475.90

See footnotes at end of table, p. 650.

TABLE II.—*Sources of funds available for cooperative extension work in States, Hawaii, Alaska, and Puerto Rico for the fiscal year ending June 30, 1958*—Continued

States	Grand total	Total Federal funds	Total within the States	Funds from Federal sources		Funds from within the States		
				Smith-Lever Act as amended	Agricultural Marketing Act [1] (title II)	State and college	County	Nontax sources
South Carolina	$2,426,518.74	$1,293,497.90	$1,133,020.84	$1,285,997.90	$7,500.00	$975,000.00	$151,180.84	$6,840.00
South Dakota	1,412,524.50	559,864.50	852,660.00	554,314.50	5,550.00	617,320.00	217,900.00	17,440.00
Tennessee	3,232,408.27	1,796,077.27	1,436,331.00	1,768,077.27	28,000.00	927,000.00	509,331.00	
Texas	6,075,326.66	2,844,525.61	3,230,801.05	2,840,325.61	4,200.00	1,300,142.50	1,929,438.55	1,220.00
Utah	810,316.50	315,515.70	494,800.80	299,415.70	16,100.00	350,820.00	143,980.80	
Vermont	676,205.01	235,493.97	440,711.04	227,213.97	8,280.00	333,618.04	107,093.00	
Virginia	3,641,586.22	1,445,775.22	2,195,811.00	1,433,415.22	12,360.00	1,749,680.00	446,131.00	
Washington	2,119,602.38	697,393.05	1,422,209.33	671,223.05	26,170.00	873,054.44	548,854.89	300.00
West Virginia	1,639,445.47	919,426.60	720,018.87	915,426.60	4,000.00	423,034.00	293,634.87	3,350.00
Wisconsin	3,448,115.35	1,335,557.35	2,112,558.00	1,303,257.35	32,300.00	921,779.00	1,190,779.00	
Wyoming	838,456.93	266,778.34	571,678.59	262,478.34	4,300.00	405,899.59	161,779.00	
Alaska	206,481.93	95,251.49	111,230.44	92,751.49	2,500.00	111,230.44		
Hawaii	771,033.58	251,840.09	519,193.49	233,840.09	18,000.00	519,193.49		
Puerto Rico	2,430,681.31	1,496,711.31	933,970.00	1,496,711.31		933,970.00		
Unallotted	210,438.66	210,438.66		210,438.66				
AMA contracts	140,000.00	140,000.00			140,000.00			
Total funds allotted to States, Hawaii, Alaska, and Puerto Rico	128,060,201.46	50,715,000.00	77,345,201.46	49,220,000.00	1,495,000.00	46,992,667.37	28,358,189.19	1,994,344.90
Federal appropriation to match cooperative extension agents' contribution to U. S. Civil Service retirement fund	5,260,000.00	5,260,000.00						
Federal appropriation to reimburse Post Office Department for use of penalty mail by State extension directors and cooperative extension agents	2,164,000.00	2,164,000.00						
Grand total	135,484,201.46	58,139,000.00	77,345,201.46	49,220,000.00	1,495,000.00	46,992,667.37	28,358,189.19	1,994,344.90

[1] Preliminary Distribution.

TABLE III.—*Statement of direct payments to and contracts with States, Hawaii, Alaska, and Puerto Rico, indicating those requiring offset by States and Territories, Those not requiring such offset, and basis of distribution as estimated for 1959*

Item	Total estimate, 1959	Basis of allotment	Amount paid without offset	Amount requiring offset
Payments to States, Hawaii, Alaska, and Puerto Rico.	$49,220,000			
Smith-Lever Act:				
Sec. 3 (b)		$31,597,279 frozen by sec. 3 (b) of Public Law 83.	$14,513,808	$17,083,471
		$300,000 for Puerto Rico; specified by law.		300,000
Sec. 3 (c)		$16,432,721 ($7,887,706, farm population; $7,887,706, rural population; $657,309, special needs).		16,432,721
Sec. 8		$890,000, rural development; on basis of special needs.	890,000	
Payments and contracts under the Agricultural Marketing Act.	1,495,000	$1,495,000, basis of approved projects and contracts.	[1] 140,000	1,355,000
Total, direct Federal payments.	50,715,000	$50,715,000	15,543,808	35,171,192

[1] Regional marketing contracts.

GENERAL STATEMENT

Mr. WHITTEN. We have before us this afternoon Mr. Peterson, the Assistant Secretary, and representatives of the Federal Extension Service.

We will be glad to have your general statement, first, Mr. Secretary.

Mr. PETERSON. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, we are glad to appear before this committee to present for your consideration budget proposals for Federal support of the Federal-State Cooperative Extension Service for the coming fiscal year.

The function of the Extension Service is that of conducting an educational program in Agriculture and Home Economics. It is a cooperative undertaking between the United States Department of Agriculture and the State land-grant colleges.

The Department's responsibilities in this cooperative undertaking are administered through the Federal Extension Service. In addition to the specific responsibility of administering the Federal funds and the required State offset, this agency provides (*a*) basic program leadership with respect to phases of programs of national significance, (*b*) technical assistance to the States in overall program development, (*c*) help in improving methods of operation in the interest of insuring the maximum effective service being rendered with resources available, (*d*) assistance with adjustment of programs within States in line with problems of regional or national importance, (*e*) help with training of staff, (*f*) with educational programs related to other programs administered by the Department of Agriculture, and similar matters.

However, the major elements of program leadership are the responsibility of the States in order to insure that available resources are most efficiently organized to deal with the most pressing problems of State and local importance. In turn, further modification of programs is

made within the individual counties in accordance with county problems and interests. The State extension staffs perform much the same functions on behalf of the county staffs as the Federal Extension Service provides the State leadership. Through this process, which has been developed over a period of nearly 50 years of cooperation, there is assurance that the resources which are available are applied where most needed to help local people understand the facts about problems of most significance to them. At the same time there is assurance that matters of regional and national concern to the Department of Agriculture are given consideration.

The informal educational programs conducted by this Service relate to the fields of agriculture, home economics, and subjects which bear upon them. In agriculture, for example, they deal with technological, scientific, and economic problems in the areas of production, marketing, processing, utilization, and consumption of all products of the fields and feedlots. In home economics the areas covered are equally broad including such matters as management of the home and its facilities, family income and expenditures, family health and nutrition, shelter and clothing, as well as family and community living.

Special attention is given to the training of youth by providing experiences, through 4–H Clubs and otherwise, which will better equip them to perceive and grasp whatever opportunities they may have in the future.

Programs are designed to help people more effectively use the resources they possess, or which can be made available to them—their land and water resources, operating capital and equipment, their own labor, and the wealth of scientific knowledge available from many sources. A major objective is to help people understand the application of this scientific knowledge and services available in order that they may improve their levels of living.

The work is carried out by a staff trained in the various sciences applicable to agriculture, home economics, and informal educational methods which have proven to be effective in such an informal educational setting. There are staff units located in over 3,000 counties with staff members holding such titles as county agent, home demonstration agent, 4–H Club agent, and extension agent, or a similar title.

To insure appropriate localization and most effective use of resources available programs are built by local interested citizen groups with the assistance of the extension staffs in the various counties. They are designed to help people utilize their resources to the best advantage, including resources and assistance available from such supporting agencies as those of the Department of Agriculture, the land-grant colleges, and other institutions and agencies in a position to make a definite contribution to the improvement of the welfare of the people involved. This is accomplished through educational procedures which not only bring all pertinent information to their attention but also which insure that they understand the significance of such information and ways in which it may be applied on each individual farm and in each individual home.

This very effective working arrangement is characterized by very close liaison at all times between the Department and the extension services of the land-grant colleges. The States constantly are calling upon the Federal Extension Service for advice and help. Moreover,

there is organized consultation between the extension committee on organization and policy of the American Association of Land-Grant Colleges and State Universities, various subcommittees of that representative group, and this Department, including the Office of the Secretary. Through this process there is assurance that the two participants to this cooperative undertaking have a common understanding at all times of the scope, purpose, and probable usefulness to farm and rural people of the work being undertaken.

SCOPE REPORT

Some time ago I discussed with the extension committee on organization and policy the need to study and document the current and future needs for emphasis in Extension's educational programs. This has been done, and the resulting report has full endorsement. It is known as the scope report. We would appreciate the privilege of inserting this brief but important report in the record at this time, or at the conclusion of my remarks.

Mr. WHITTEN. We will be glad to have that done at either place you prefer.

Mr. PETERSON. It might be better at this point in the record, for continuity, if that is agreeable to you and the committee.

Mr. WHITTEN. Yes.

(The report referred to follows:)

The Cooperative Extension Service is a saga of achievement in American education which grew from a unique partnership of local people and their organizations, county, State, and Federal Governments, and the land-grant colleges and universities. As the plant symbolizes, this partnership finds root in the needs of people at home and at work and builds on a pooling of their common problems and the creative application of their own talents and resources. This statement is a product of the partnership, having taken form from the aspirations expressed in countless program planning efforts by people and their extension workers across the countryside of America, the American Association of Land-Grant Colleges and State Universities through the extension committee on organization and policy, and the United States Department of Agriculture through the Federal Extension Office.

THE COOPERATIVE EXTENSION SERVICE TODAY

AN OUTLINE OF MAJOR RESPONSIBILITIES

Cooperative extension work in agriculture and home economics is a partnership undertaking between each State land-grant college and university and the United States Department of Agriculture, in cooperation with local governments and local people. Extension is a unique service of three levels of government permitting maximum flexibility and adaptation to local conditions and needs while carrying a hard core of purpose, objectives, and focus.

The major function of the Cooperative Extension Service as stated in the Smith-Lever Act is:

"To aid in diffusing among the people of the United States useful and practical information on subjects relating to agriculture and home economics, and to encourage the application of the same."

This broad charter clearly identifies Extension's function as education. This is not education in the abstract, but education for action. It is education of an informal and distinct type. It is education directed to helping people better solve the various problems which they encounter from day to day in the fields of agriculture and home economics and related subjects.

In the performance of this function the Extension Service has always held high those objectives which aid people to attain:

1. Greater ability in maintaining more efficient farms and better homes.
2. Greater ability in acquiring higher incomes and levels of living on a continuing basis.

3. Increased competency and willingness, by both adults and youth to assume leadership and citizenship responsibilities.

4. Increased ability and willingness to undertake organized group action when such will contribute effectively to improving their welfare.

In striving to attain these objectives the guiding principle of all Extension workers has always been "helping people to help themselves."

In performing its function Extension operates informally, in line with the most important local needs and opportunities, and with respect to both short-time and long-time matters of concern. It joins with people in helping them to: (1) identify their needs, problems, and opportunities; (2) study their resources; (3) become familiar with specific methods of overcoming problems; (4) analyze alternative solutions to their problems where alternatives exist; (5) and arrive at the most promising course of action in light of their own desires, resources, and abilities.

In so doing Extension workers bring to people the pertinent research information available; interpret and demonstrate its application to the immediate situations involved; and, through the most effective methods known, encourage the application of such research in solving problems. At all times the widespread participation of the people is stressed in both planning and conducting these informal educational efforts.

In recent years Extension workers have assisted, with varying degrees of intensity, over 10 million families annually in over 3,000 counties. Of these about two-fifths have been farm families—those having first claim on Extension's services and those who received the most intensive assistance. About one-fifth have been urban families. This is an average of approximately 1,000 families per county Extension worker.

Among those assisted each year were over 2 million 4–H Club members in organized 4–H Clubs, over 1 million homemakers in organized groups, and over 5 million homemakers not in organized groups. In addition Extension aided several thousand cooperatives, food retailers, firms handling farm supplies, and county and community organizations of various types.

This workload has been handled by slightly over an average of 3 extension agents per county (both men and women). Aiding them were about 1.3 million unpaid local volunteer leaders without whose assistance a program of this scope would not be possible.

County extension agents are supported by the resources of their respective land-grant colleges and universities. This support is provided by State headquartered technical and administrative extension workers, as well as the work, and to a limited degree the personnel, of both the State experiment stations and resident teaching staffs. The technical information and resources of the United States Department of Agriculture also are available and used to make the efforts of county extension workers most productive.

The Cooperative Extension Service is, therefore, the informal educational arm of both the Department of Agriculture and the respective State land-grant colleges and universities. It takes to farm people the results of research and practical experience from all pertinent sources available, as well as information with respect to Government programs directly affecting farm people, whether administered by the Federal Department of Agriculture or State and county governments.

THE RAPIDLY CHANGING SCENE

One consistent characteristic of extension work has been the necessity to shift programs and methods to meet ever-changing conditions and demands. Extension workers have been acutely aware of this need from the beginning. The tempo of such changes has been accelerated dramatically during the past decade. Every evidence points to even a faster acceleration in the decade ahead.

The following illustrates the degree and rapidity of such change:

1. Adjustments in the family farm economy

Between 1950 and 1954 the average size of farms increased by 12 percent. With increasing mechanization and higher investments in equipment, and with slowly rising land values and prices in general, the value of productive assets on our farms increased over 21 percent during this same period—and over 40 percent per agricultural worker. Cash operating costs increased proportionately as did farm families' need for credit. In addition, during the past decade there has been a veritable explosion in the technology of production and marketing.

Essential major adjustments in the total agricultural economy, arising from so-called surplus production and other factors, present comparable adjustment problems on individual farms which significantly affect income possibilities. An

increasing number of farmers have found it necessary or desirable to supplement their farming operations through off-farm employment or enterprises to supplement their farm income.

These and other related factors emphasize the complexity of current-day farming and ranching. The higher financial risks make necessary that each individual farm family become most efficient in understanding and applying technology and sound management to farming in order to compete successfully and stay in business.

2. Off-farm influences

This complexity is further compounded by the many off-farm forces having a direct bearing upon the management and operation of individual farms and ranches. Examples of these forces are surplus production and acreage controls; marketing agreements and orders; price supports; foreign-trade policies; tax policies; social security; growing vertical integration in the production and marketing of some commodities, and many other factors. These are influences which our farm population not only must understand but must also evaluate in terms of their individual farming operations. They also must understand them so they may effectively exercise their rights and responsibilities in helping to influence group decisions about these forces in the future. Moreover, as farming is increasingly related to dynamic and growing economy, continual adjustments in resources devoted to agriculture must be identified, understood, and accomplished in the interest of national balance and efficiency.

3. Population changes

Significant changes in our population pattern are taking place. Total population has been increasing rapidly and is expected to increase approximately another 15 percent by 1975. Farm population, however, has been declining. This trend is expected to continue at a moderate rate, while the rural nonfarm population will continue to increase. We are also facing significant trends in the age composition of our population. Increasing percentages fall in the two extreme age brackets—those of an age beyond normal full employment and those too young to be employed.

Related to or associated with these population trends are changing community patterns. More farm residents are finding employment in urban centers, with many of them farming on a part-time basis or not at all. Approximately one-third of farmers' total income now comes from nonfarm sources. Many industrial workers are migrating to rural areas to establish their homes and rear their families, although continuing their urban employment. More homemakers, both farm and nonfarm, are employed outside the home. All have greater mobility resulting in a wider range of interests and demands.

These significant trends create both a greater total demand and a constantly expanding diversity of demand upon the Extension Service for assistance.

4. Rising educational levels

The people of the United States are becoming better educated. From 1940 to 1950 the median years of formal education of all adults increased from 8.6 median years to 9.3. Comparable figures for the rural farm population 25 years of age or older were 7.7 median years in 1940 as compared with 8.4 median years in 1950. In 1950 there were 67 percent more adults 25 years of age or older who had completed high school than there were in 1940, and 55 percent more who had completed college.

In addition the educational work of the Extension Service has in itself contributed most significantly to raising the educational level of our rural people, to broadening their range of interests and to intensifying their demands for additional counsel and information.

These advances in education result in more calls, and more diverse calls, upon the Extension Service for assistance. At the same time advancing technology in itself is intensifying the need for extension work as more complex problems become more clearly identified and understood.

5. Changes which influence family living—both rural and urban

Conspicuous differences in the mode of living of rural and urban people are fast disappearing. Better transportation and communication facilities, greater mixing of rural and urban families, both by virtue of residence and common opportunities in social activities, and rising educational levels—all have contributed. As a result we find families having greater average cash expenditures for services; higher standards for food, shelter, clothing, conveniences, and housing; and shorter working hours and hence more leisure time.

At the same time, with a rapid increase in the number of both farm and urban women working out of the home, the need arises in many families for a greater sharing of responsibilities in the home by all family members. Families also feel a greater need for training in the more effective management of both time and resources. As adjustments occur between agriculture and other sectors of the economy pressing social and economic problems affecting family living demand careful study and action.

6. Increased demands on our natural resources

All these, and other trends that could be cited, are interrelated. In one way or another, they all contribute to increasing demands upon our natural resources. These resources are essential to maintain a healthy agriculture and the levels of living of our total population.

Even though our agricultural production now exceeds our optimum needs this situation will not continue indefinitely. In the last few years approximately 1 million acres have been removed from agricultural production each year because of suburban housing developments, new and expanded highways, and other nonagricultural uses. In addition much of the land still in cultivation is not being managed so as to insure its continued or improved productivity.

Likewise the demand upon our water resources is increasing at a striking rate for agricultural, industrial, and domestic uses. Already many urban areas are experiencing serious water supply problems or will face them soon. At the same time farmers and ranchers are investing heavily in irrigation installations without assurance of their legal claim on the water supply, without assurance of longtime, adequate supplies for all uses, and without assurance of the economic soundness of their investments. These are crucial problems. They deserve and should command much more widespread and intensive educational efforts by the Extension Service.

A somewhat similar situation prevails with respect to the forest resources of the Nation. Much more than half of our forest acreage is found in essentially farm woodlots where sustained yield programs are relatively difficult to maintain.

SIGNIFICANCE TO EXTENSION

All such significant trends reemphasize the fact that the Extension Service must have a dynamic program—one constantly being modernized to keep pace with the ever-changing conditions facing the people it serves.

Programs and procedures appropriate and adequate yesterday are likely to be inappropriate and ineffective today—and obsolete tomorrow.

Extension must be ever alert, therefore, to adjust its programs, focus, and methods to insure that its resources are used most efficiently and in keeping with the ever-changing problems of the people demanding services of it. And even here, change is quite apparent. For reasons referred to briefly above Extension is being requested to provide educational services to both more people and a wider variety of interest groups. However, Extension's resources are not unlimited. Hence, there is constantly the necessity for continuous focusing on essential though shifting areas of need.

AREAS OF PROGRAM EMPHASIS

It is apparent that for the present and the years immediately ahead there are several major areas of program emphasis which should be receiving high priority attention by the Extension Service. These constitute the hard core of an adequate program of informal education of nationwide significance. Although the degree of emphasis with respect to each of these areas may vary from 1 county, or 1 State, to another, the total effort of Extension work in the United States must fully recognize these areas of program emphasis. No Extension program can be considered reasonably adequate without due attention to each.

1. Efficiency in agricultural production

Agriculture today operates more than ever before in a cash economy and in a period of fast-changing technology. Economic or technological mistakes which increase costs or lower efficiency can soon prove fatal to the success of individual farm families.

Bringing farm families (and agencies and firms providing them materials and services) all the pertinent research available, and helping them to interpret and apply it, must be high on any priority list of Extension responsibilities. With such facts families can better decide: (1) the adequacy of their current farming or ranching unit; (2) ways they can apply technology to improve their efficiency;

(3) and ways they can reduce their cash operating costs and financial risks without reducing their efficiency.

Individual farming units, as any other business units, must be efficient if they are to survive. This is the very essence of the American way. This is largely the reason why our agriculture has been able to produce an abundance of high quality food and fiber products and to release manpower to other lines of production which makes possible our high level of living. Further progress in the direction of improved efficiency in agricultural production is not only necessary but mandatory in the years ahead. Extension should in the future, as it has in the past, recognize this as a high priority responsibility with even better organized and more intensive efforts directed on this front. Moreover, emphasis on efficiency in agricultural production is directly related to national economic growth. Therefore, Extension assistance should be realistically geared to helping rural people find their most productive place in the American economy.

2. Conservation, development, and use of natural resources

A continuing need exists to bring about a fuller understanding of the relationship of wisely managed natural resources to both the general public welfare and the continuing welfare of persons managing such resources. Abundant evidence clearly indicates that our national resources of soil, water, forests, grasslands, fish, and wildlife are being depleted. Greater attention is essential to measures, both private and public, which will contribute to the wise use of such resources so that they may be conserved and further developed and, at the same time, contribute the maximum to both individual family welfare and the national interest.

The Extension Service has both a unique opportunity and a responsibility to help develop a realistic appreciation of the necessity for and practical value of the wise and nondepleting uses of such resources. Such resources have real value only to the degree they may be used to contribute to human welfare and betterment on a continuing and practical basis.

To insure such effective use the Extension Service should aggressively give leadership to and participate in the development and conduct of programs directed to effective resource management and use. It should strive to develop an understanding on the part of direct users of such resources of the economic soundness of conserving-type uses in their own personal interest as well as the public interest. It should encourage improved management of these resources on the farm and elsewhere and aid farm operators to incorporate sound conservation measures into their own farm operations. It should also develop a wider appreciation of both the economic and recreational values of our natural resources and the inherent values they offer to all.

3. Efficiency in marketing, distribution, and utilization

Paralleling efficiency in production is the necessity for developing the maximum practicable efficiency in the marketing, distribution, and utilization (including the consumption) of agricultural products. Herein lies a challenge and a responsibility for Extension to contribute to the welfare of the producer, the handler, and the general public simultaneously. Expanded Extension efforts are needed to: (1) create greater efficiencies in processing, handling, and distribution through the application of technology and improved marketing practices; (2) expand the market for farm products through consumer information programs and by helping producers, processors, and handlers develop new products and adopt new marketing practices found through research; (3) guide those performing marketing services in developing the most efficient market organization and facilities; (4) develop greater understanding by consumers of the importance of timely buying and the adaptability and suitability of various products for different uses; (5) get rapid adjustment by farmers, consumers, and marketing firms to changes in technology, supply, and demand through improved understanding and communication.

4. Management on the farm and in the home

A major strength of American agriculture lies in the fact that it is predominantly a family-farm type of operation. Each family is free to make its own plans, arrive at its own decisions, and exercise its ingenuity to the fullest. This puts a premium on the ability of the individual family to make wise management decisions. This premium on management ability is becoming even more obvious as agriculture grows more complex, specialized, and interdependent with other economic sectors. It is further emphasized by the fact that on our farms the challenges associated with the efficient management of the farm and the home

are inseparable. Frequent decisions must be made with respect to competition between the farm and the home for money or time resources.

Herein lies a major educational challenge to the Extension Service. That is to provide those educational experiences for farm families which will enable them better to: (1) appraise all their resources; (2) identify problems to be overcome; (3) analyze different ways to meet those problems; (4) weigh alternatives in terms of possible results; (5) understand the technological, credit and other aids they may use; and (6) choose and follow the most promising courses of action. Through these experiences farm families are able to derive incomes and greater satisfactions from their respective opportunities.

This is the course of action being intensified in the "unit approach" to farm families' problems. Excellent progress is being made in these more intensive educational efforts, but even more effort on a continuing basis is mandatory.

5. Family living

Fast-changing patterns of living of modern-day families create many problems.

New outside employment for homemakers emphasizes the need for management adjustments within the home; increased understanding and cooperation among members of the family; and recognition that there may be less opportunity for such homemakers to participate in the development of community services and activities. Therefore, planning and management of family resources and family-life education take on added significance. Planning for the availability and use of services such as health, education, and recreation also becomes more pertinent.

While the gradual trend is toward the family as a consuming unit, particularly in fields relating to food, clothing, and shelter, most families still use many of the homemaking skills to provide a standard of living above that which income alone could provide. Both adults and youth continue to need certain of the basic homemaking skills, as well as the skills of good management; human relationships and group participation which take on added significance at this time.

The wide scope of choices available to families varies from those relating to basic family decisions, such as whether the homemaker shall work, to those involving wise selection of goods from the market. The process of decision making and principles of good management therefore become increasingly significant in planning the use of time, money, and energy. The increasing proportion of families in either the very young or older family group calls for special adjustments in the Extension Service to provide them with appropriate assistance.

6. Youth development

The rapidly increasing number of youth living on farms and in rural and suburban areas calls for especially oriented programs for these youth and for the volunteer leaders who will assist them. The Extension youth program should provide learning opportunities and practical experience in real life situations. These opportunities should be sufficiently challenging at advancing maturity levels so that youth are prepared for economic, social, and leadership responsibilities as adults. Useful work experience, ownership and management of property, marketing, practical records and reporting of achievements are all important in youth development. Skills and competencies learned in 4-H Club work should carry over not only for agriculture and homemaking but for other vocations and life experiences. It is essential that youth be assisted in exploring different types of careers in order to make wise decisions. Extension should supplement any career counseling services available as it works with rural youth.

7. Leadership development

One of Extension's major contributions has been the development of leadership ability in persons it has served. In a democracy progress is largely predetermined by the quality of leadership available and developed within the mass of the population. Agriculture has been fortunate in this respect and has contributed its share of public leadership. It has also profited materially from the fact that within its own ranks it has been able to enlist competent and alert leaders, men, women and youth, who have served ably in leadership roles in matters of group concern—all the way from the local community to the national scene.

Extension can be justly proud of its part in helping to identify and provide training and experience opportunities for this leadership. Such contributions from Extension will be even more important in the future.

8. Community improvement and resource development

As the family is the basic unit in our society, the local community is the basic multiple-family unit. But changes in the size, structure, institutions, and essen-

tial human services of the American community are rapidly changing. The Extension Service has a responsibility to render appropriate education assistance in helping people to understand such matters as: (1) adequate standards for community services; (2) efficient methods of providing such services; (3) methods of orderly planning; (4) competitive uses of land and the relationship to proper community growth; (5) solution of problems found in special community areas within metropolitan areas, such as the rural-urban fringe and the rural slum; (6) joint concerns and the responsibilities of rural and urban people for community problems which occur where city and country meet; (7) methods of improving conditions and available services provided by health, education, recreation, religious, and other governmental and private institutions.

In addition to such work on a local community basis, Extension has a responsibility to provide educational and leadership assistance to people on a countrywide or area basis in developing organized programs of benefit to both farm and nonfarm residents. Extension has had long experience in helping people organize for group action. It can successfully provide the stimulus and guidance that will enable local people to develop and carry through areawide improvement programs to strengthen the local economy, and otherwise enhance the level of well-being of the people in the area. Extension can and should cooperate with local people, other public agencies, and lay organizations in efforts to improve agriculture; promote nonfarm employment opportunities; strengthen community services and institutions; and in other ways encourage the optimum development and utilization of all local resources. Extension is now engaged in several areas in organized cooperative activities that encourage such joint action between rural and urban residents; between farmers, industrialists, other businessmen, and public officials. Such efforts are resulting in the improved welfare of both farm and urban residents, and should be expanded as widely and as rapidly as feasible.

9. Public affairs

Extension programs grow out of the expressed wants and carefully analyzed needs of local people. The increasingly complex interdependence of agriculture and other segments of our economy is causing rural people to have a greater and more definitive concern with public affairs issues that bear directly upon their welfare. They are turning to the Extension Service, as a readily available informal educational service, for help in acquiring facts, and methods of analyzing and appraising such facts. Thus, they may exercise their responsibilities as citizens in a better informed way.

Extension has an important obligation in this area and a responsibility to help farm people understand issues affecting them. In so doing, however, it should be crystal clear that Extension's function is not policy determination. Rather it is better to equip the people it serves, through educational processes, to analyze issues involved on the basis of all available facts. It is the prerogative and responsibility of people themselves, individually, or collectively, to make their own decisions on policy issues and express them as they see fit.

CLIENTELE

The Smith-Lever Act, in stating the purpose of cooperative extension work, refers only "to the people in the United States." This act grew out of a recognized need for an informal educational service which would take the results of research "on subjects relating to agriculture and home economics" to people who could apply these results in improving their welfare. Although unquestionably farm families were envisaged as a major audience, the legislative history and the act itself specifically recognized a broader audience to include rural nonfarm residents. This includes the residents of villages, towns, and cities of less than 2,500 people. Over the years, however, Extension has been called upon to provide educational assistance on a much broader front.

Currently the breadth of Extension's audience is fairly adequately encompassed in the following broad groupings:

Farm families
Nonfarm rural residents
Urban residents
Farm, commodity, and related organizations
Individuals, firms, and organizations purchasing, processing, and distributing farm produce, and providing farm people with essential services and supplies such as credit, fertilizers, feed, and many others

We believe no one can legitimately question that Extension's first responsibility is to farm families. However, others cannot be ignored. In differing degrees,

and for somewhat different types of problems, they are interested in the results of research from our public research laboratories. At the same time knowledge of this research and its application by all groups in addition to farm families, can be and should be of direct benefit.

If we accept the principle that Extension's responsibilities are to farm families first, but not to them alone, then a major operational problem of Extension is how to allocate its time and resources so that the highest priority needs of those other than farmers are given appropriate attention. Because of the diversity of economic and population patterns throughout the Nation, this allocation of Extension resources necessarily must be determined within each State, and to a large degree, within each county.

It is important that the breadth of this responsibility, and the opportunity and responsibility for Extension to render service on all appropriate fronts, be recognized by all. However, within this broad responsibility, care must be exercised by Extension and the people it serves that problems of major importance at any given time are given priority attention.

CONCLUSION

The facts outlined above, and the interpretations of the significance of these facts to Extension and those it serves, constitute a most significant challenge to all directly concerned. Extension as a public agency needs to examine these facts carefully, objectively, and conscientiously—with a determination to insure that its efforts today and tomorrow are carefully attuned to these most conspicuous needs. Extension needs today—perhaps more than ever before—to define and to agree upon the hard core of its educational responsibilities that has fairly universal application. It needs to agree upon the major elements comprising that hard core—and it needs to dedicate itself firmly, consciously, and aggressively to conducting effective educational efforts with respect thereto.

This does not imply that the emphasis and the methodology needs to be or should be uniform in every State and in every county. Such would be in direct contradiction to one of the most important principles of cooperative Extension work. However, it does mean that in the interest of maximizing its contributions to those whom it is or should be serving, with whatever resources may be available to it at any given time. Extension collectively, and in every State and county, should be appraising its efforts in light of the type of an analysis outlined above; and should be dedicating itself collectively to the attainment of a record of productive and efficient service on these respective fronts.

Therefore, your subcommittee, in submitting this report to the Extension Committee on Organization and Policy, recommends that this parent committee take such steps as it deems feasible to:

(1) Develop, or instigate the development of, an understanding on the part of all extension workers of the implications of this subcommittee's report in terms of extension work in the future.

(2) Develop an appraisal of the adequacy of extension efforts today with respect to each of the areas of program emphasis outlined in this report.

(3) Develop as united a front as possible on the part of all extension workers in giving adequate educational service with respect to each of these areas of program emphasis.

Your subcommittee wishes to indicate that it has been a stimulating and valuable experience to its members to have the opportunity and responsibility of making this analysis and submitting this report. It would humbly observe, however, that such an effort is only the first step in the direction of attaining a completely modernized extension program to which all can subscribe and can support.

We would suggest, therefore, that the Extension Committee on Organization and Policy could well consider and implement such additional steps as necessary to insure a more widespread understanding of Extension's major responsibilities and more effective service with respect to each.

Members of the Committee:
N. E. Beers, Montana.
Gladys Gallup, FES.
P. V. Kepner, FES.
George E. Lord, Maine.
C. A. Vines, Arkansas.
Maude Wallace, Virginia.
Paul A. Miller, Michigan, *Chairman*.

The objective * * * is the development of people themselves to the end that they, through their own initiative may effectively identify and solve the various problems directly affecting their welfare.—Joint Committee Report on Extension Programs, Policies and Goals, August 1948.

CHANGING DEMANDS FOR EXTENSION ASSISTANCE

Mr. PETERSON. The following points stressed in the report illustrate major reasons for the constantly changing demands for extension assistance in the current setting.

(*a*) Adjustments are necessary in the family farm economy to keep farming operations abreast of higher investments, greater mechanization, greater cash operating costs, more technology, and new marketing problems. Growing farmer dependence on the nonfarming community and higher financial risks also require adjustments in the family farm economy.

(*b*) Off-farm influences—acreage controls, marketing agreements and orders, price supports, foreign trade policies, social security, vertical integration in some enterprises, and many other factors combine to influence farming decisions today.

(*c*) Our population continues to grow. The actual farming operation today requires less manual labor but more management ability. The pressure of the urban community on the countryside is producing new and different economic and social problems. The increased demand for trained personnel in agriculture outside of actual farming calls for inclusion in educational programs of new emphasis on education and training.

(*d*) Educational levels are rising. In the rural population 25 years or more of age we find the median years of formal education was 7.7 in 1940. It had increased to 8.4 in 1950 and is continuing upward. The educational work of the Extension Service has added greatly to the educational level of our rural people although this growth must be measured by other than "years in school." As the educational level of our people increases, more and more diverse requests are made of the Extension Service for educational assistance.

(*e*) An increased demand on our natural resources continues. There is still much land not being managed in a way to insure its continued productivity. Our water resources are under extremely heavy demand for agricultural, civic, and industrial uses. Large investments are being made in irrigation equipment and systems—sometimes with inadequate information as to available water supplies and methods of farming under irrigation. Over one-half of our forest acreage is found in farm woodlots. Additional education is needed to insure maximum continuous productivity and maximum return to the farmer on a sustained basis from this important resource.

(*f*) The extension services in the years ahead will be under increasing pressure to provide leadership and assistance in helping rural people take stock of all their resources—natural, economic, institutional, organizational and human, and develop programs to meet these changing conditions.

Rural development work leans heavily on extension personnel for both leadership and program execution. In 30 States and Puerto Rico efforts are underway in 72 pilot counties or trade areas. The efforts of existing personnel in pilot counties and areas had to be more specifically applied and some new personnel recruited and trained.

Substantial progress is evident. Local people in this "operation bootstrap" organize with such assistance as can be provided through the cooperative effort of Government and private agencies—local, State, and National—to (a) take stock of their resources, (b) determine their objectives and desires, (c) determine what additional resources are needed to help them gain their objectives and (d) plot a course of action. This operation is proving productive, particularly in areas where economic opportunity has not made possible the level of living comparable with today's averages. Currently there are approximately 2,700,000 farms which produce for sale only 9 percent of our agricultural products marketed. There are capable people living on these farms. This program is designed to help them more fully achieve their own objectives and at the same time make a contribution to the Nation's growth and progress in keeping with their ability.

The program involves helping those who desire to continue in farming develop more adequate farm units wherever that is possible. It also is directed to developing or taking advantage of, wherever possible, off-farm employment opportunities in the local areas as are available or as may be created to supplement income from agriculture. It encourages consideration of the development of training facilities and programs which would better equip these people to take advantage of other employment opportunities requiring somewhat different skills. It also encourages adjustments in public services where necessary to direct those services more nearly in line with current-day needs in the areas involved.

This program provides an effective means of encouraging active cooperation between public agencies, private groups, businessmen, farmers, and all others having a direct interest in the improvement of the economy of the areas involved. The work is guided and conducted in the main by local voluntary groups, aided by representatives of the various public agencies functioning in this area as appropriate.

We are requesting continuation of the Federal appropriation to the Extension Service for these demonstration efforts, anticipating that the techniques and methods tested and proved in these pilot counties will be incorporated in the on-going program of many other counties. Already we have evidence that this is taking place. Such expansion will continue to be encouraged by this Department.

The complex interdependence of the different segments of our society, both farm and nonfarm, makes it imperative that those engaged in agriculture maintain a constant awareness of the overall movements in the total economy. Greater numbers of people are dependent upon a decreasing number of farmers to provide the continuing flow of foods, fibers, and other materials necessary to a growing economy. National well-being is dependent upon highly efficient farm enterprises. Equity requires that opportunity for levels of farm living comparable to those off-farm be available in all rural areas.

In view of the great concern for the Nation's security I submit that a strong agriculture manned by highly trained people bears a direct and important relation to our national interest. This can best be insured through a program of putting research findings and a growing body of knowledge to work in every field—every feed lot, the home, and the market place through the processes of education.

Funds provided for State extension service operations in the budget request are the same as those available this year. No increase has been asked for, even though we realize there will be many problems encountered by the States, particularly in maintaining a highly competent staff capable of meeting tomorrow's problems.

Within the confines of the funds available to us we have built this budget. Our work during the coming fiscal year will be to help the States improve their extension education services and programs. Many States will doubtless continue to add to their resources from State and county sources and further expand this work during the year ahead.

Mr. Ferguson, Administrator of the Federal Extension Service, and members of his staff are present to respond to such inquiries as the members of this committee may wish to make.

Mr. WHITTEN. Mr. Ferguson, do you have a prepared statement?

Mr. FERGUSON. Mr. Chairman, I have a prepared statement. With your permission I would like to touch on a few of the high spots.

Mr. WHITTEN. Your prepared statement may appear in the record at this point and we will be glad to have you orally touch on it, as you see fit.

GENERAL STATEMENT OF THE ADMINISTRATOR

(The prepared statement of Mr. Ferguson is as follows:)

Mr. Chairman and members of the committee, I appreciate this opportunity to appear again before this committee to discuss with you the work of the Cooperative Extension Service. Assistant Secretary Peterson has given you a broad view of the job which lies ahead in this cooperative undertaking.

Farmers today are facing the greatest adjustments in the history of American agriculture, and Extension workers are hard pressed to help these families keep abreast of the tremendous expansion in agricultural technology, mechanization, and the rapidly changing economic and rural social scene.

CHANGING FARM SITUATION

Today 96 percent of our farms are family operations, about the same as it was 25 years ago.

Farms today are 39 percent larger than they were in 1940, and the total investment per farm has increased from $6,100 to $27,000 in these 17 years. The investment in machinery is about 8 times as great as it was in 1940 and the number of motor vehicles on farms has increased nearly 3 times in the same period.

In 1957 each farm worker produced twice what he was producing in 1940. Today he produces enough food, fiber, and tobacco for himself and 21 others. This is 10 more than in 1940.

Technological changes are producing a tremendous impact on those who farm for a living.

The farm enterprise, whether on a part-time or a full-time basis, now requires the best and the latest information bearing on efficiency, technology and management if farm families who operate these enterprises are going to be satisfied to continue farming and to get the benefits of rural living.

The line of demarcation between what is expected by way of home comforts, conveniences, and opportunities for a good life on the farm, and in the town or city, is rapidly disappearing. Rural living continues to hold great attraction for those having a rural background. There continues a pressure of the city on the countryside for rural homes where children can grow up in a rural setting.

The rural and the urban community are blending into one. In 1956 over one-half of our farmers earned about three-fourths of their income working off the farm. Many rural communities today are discovering a great reserve of manpower which would be available if more off-farm opportunities could be provided close to home.

IMPORTANCE OF PROGRAMS TO RURAL PEOPLE

At no time in Extension's 43 years of service to rural America have rural people been as much concerned in getting help to evaluate their resources.

They want this evaluation to include:

(*a*) Natural resources—land, water, and climate.
(*b*) Economic resources—capital, credit, markets.
(*c*) Organizational resources—farm and civic.
(*d*) Institutional resources in such fields as education and religion.
(*e*) Human resources—people, their skills, experience, and leadership.

While these efforts toward evaluation are moving ahead in communities and counties throughout the country, individual farm families continue to want more help in analyzing their own opportunities, problems, and potentials. This means more intensive work with these families either individually or in small groups.

Modern technology, mechanization, new financing methods and up-to-date management, must be taken into account and evaluated in the light of the ever-changing off-farm influences affecting farming and rural living. The added emphasis being directed to development of educational programs tailored to solving today's problems is placing a new and unprecedented demand on the time and energy of Extension personnel—in the counties, at the colleges, and in the USDA.

The following points gleaned from reports of this work by committees in over one-third of the counties of the country last year indicate the problems in which people are jointly sharing a concern. The problem areas include:

(*a*) Production efficiency and adjustment to market demand.
(*b*) Farm size, capitalization, credit, and management.
(*c*) Conservation and use of resources (natural and human).
(*d*) Marketing and distribution inefficiency.
(*e*) Family health, home living, and management.
(*f*) Youth development and opportunities.
(*g*) Urbanization and industrialization of rural areas.
(*h*) Small farms, high risk and underemployment.
(*i*) Community development.

These are representative of the problems local committees are identifying. They look to the extension service to put to best use time proven educational methods and to employ the newest media of communications such as television. This very successful medium is time and energy consuming and its use requires additional staff training. The demand for printed publications has never been as high as it is today, nor has there ever been as great an interest in the general field of communications. The extension services over the Nation are currently engaged in a most extensive as well as a most intensive program of training staff members in the broad field of communications.

EXPANSION OF PROGRAMS FOR 4–H CLUB WORK

The number of rural youth of 4–H Club age continues to expand in spite of the decrease in the number of people actually farming. This program must expand in its scope and be adjusted to the changing world in which young people are growing up. Not only must they be given training in modern farming but they also need to learn more about occupational opportunities beyond the actual operation of a farm. They also need to gain an appreciation of their responsibilities as citizens of a community, whether it be rural, suburban, or urban.

Agriculture today is much broader than farming alone. It affords many opportunities for young people in the field of distribution, processing, transportation, utilization, and merchandising as well as in the fields of research, education, and service. This broader 4–H effort demands a better trained staff and more intensive training for those who provide the leadership to our 2 million young people now enrolled in 4–H programs and the millions who could benefit from this experience.

There is general agreement that marketing efficiency has not kept pace with efficiency in production. Extension's efforts in the field of marketing have been intensified in recent years and a larger amount of extension effort is being devoted to putting research findings into the hands of those responsible for marketing, transporting, processing, merchandising, and utilizing farm products.

Family living, with its many points of concern, such as housing, labor simplification, nutrition, child care, home beautification, and wise buymanship, takes on a new significance with one of every four rural homemakers supplementing the family income through off-farm employment. This new pattern of living for many farm families is placing a new and different task before the extension worker.

The scope of Extension work has never been as broad or the demands more difficult to meet. The rapid change in our economy, the marked changes in our rural social structure, the virtual explosion in technology, have brought into light new emphases such as the unit approach to help families adjust to tomorrow's farming—rural development in those communities where folks have been less privileged—work in the field of distribution, utilization, and consumption of farm products, as well as the demand on extension workers for background information essential to county committees in building extension programs designed to bring the best and newest findings of research to bear on their problems.

In light of the magnitude of the problems which rural people are facing, and the assistance they are seeking to help them solve these problems, the extension services throughout the Nation will extend their resources to the limit to maintain the kind of competency in their staffs which will be needed to meet the exacting demands of modern farming, homemaking, marketing, and the distribution and utilization of agricultural products.

With us today are Mr. Kepner, Deputy Administrator, and Mr. Schruben, Assistant Administrator for Management. We will be glad to attempt to answer any questions which you may have.

Mr. FERGUSON. I thought we could save time by hitting a few of the high spots in this statement.

We appreciate the opportunity of being with the committee again and discussing the job that lies ahead for Extension. Mr. Peterson has given you a very excellent broad view of that job.

Mr. ANDERSEN. Let me say at this time that the Extension Service has no better friends than the gentlemen who have been members of this committee. I think you people realize that. We all feel that Extension is one of the mainsprings as far as helping the farmers of America is concerned. The job that you gentlemen do is one that all of us want to see done.

Mr. PETERSON. Might I say, Mr. Chairman and Mr. Andersen, this is fully realized. I think it is fully understood by all of us that the efforts of this committee, and you gentlemen who have been on it for a number of years, have been outstanding in support of what we think is a rather important segment of our total departmental efforts.

Mr. ANDERSEN. I recall years ago when we had our first county agent in our county back home. I remember the difficulty we had, Mr. Ferguson, to get the majority of the farmers to accept that county agent and that was no reflection on him personally.

Mr. FERGUSON. That is right.

Mr. ANDERSEN. I also recall many times when I personally helped 4–H Club boys 20 years back find calves so they could make a creditable showing. Anyone who has been close to the program can see that Extension and 4–H work have been an important part of my own life, and I know what an important contribution Extension has made.

I certainly welcome you people here today.

Mr. FERGUSON. Thank you, Mr. Andersen.

I want to assure you and the chairman that we in the Extension Service deeply appreciate the interest that this committee has shown.

I am sure that the folks back home appreciate the efforts that you are making.

COUNTY AGENTS

Mr. WHITTEN. In that connection, I think the whole Congress has always recognized the value of extension work. Further, I think that, without exception, we on this committee all recognize the value of this

program in the overall agricultural picture. I believe the other Members agree also that the county agent system is still the central unit.

It is the main unit and, by and large, the strength of the county agent in almost any county will largely determine the success of the various other programs of the Department.

I know that in the counties I have to do with, the county agent gets as many inquiries about these things in these other fields as the man whose job it is. He is still the man identified as the agricultural man for the county.

Mr. ANDERSEN. May I point out, too, Mr. Chairman—I have said this before but I want it again in the record—that the first county agent in the State of Minnesota was the father of one of our committee members, Mr. Marshall.

What year was it that he was an agent in Traverse County?

Mr. MARSHALL. 1912 to 1914.

Mr. ANDERSEN. He was the first, was he not?

Mr. MARSHALL. That is right.

Mr. WHITTEN. We might continue with your statement now.

Mr. FERGUSON. Thank you, Mr. Chairman.

ADJUSTMENTS IN AGRICULTURE

One of the most difficult problems farmers are facing today are the adjustments in agriculture. There was never a time when extension workers have been so pressed to help farm families make these adjustments. Farmers are trying to keep abreast of the tremendous expansion in agricultural technology, mechanization and the rapidly changing economic and rural social scene.

FAMILY FARMS FACE CHANGES

About 96 percent of our farms are family operations. That is about the same as it was 25 years ago and we do not see very much of a trend away from that percentage. Our farms are getting larger and the amount of capital invested on the average of all farms in the country has gone up in the last 17 years from $6,100 to $27,000. Machinery investment on farms has gone up about 8 times in that same period and there are 3 times as many automobiles and trucks as in 1940. I mention these facts because farm people today are concerned with this tremendous technological change that is taking place and the impact that it has on families who are farming.

This situation demands the best and the latest information if these folks are going to continue to enjoy the benefits that farming offers and to make a satisfactory living farming. The line of demarcation between rural living today and urban living has almost disappeared. The demands for living standards in the farming communities compare favorably with that of urban communities.

PROGRAM PLANNING BY LOCAL PEOPLE

There has never been a time in the 43 years of extension history when we have had as much interest on the part of local people in attempting to evaluate their local situations. This evaluation includes

their natural resources, such as land, water, and climate; economic resources, such as capital, credit and markets, organizational resources, farm and civic; institutional resources in such fields as research education and religion; human resources in the way of people, their skills, experience, and leadership.

Today we see among these folks an effort to pull together an evaluation of all of these resources in order to see what they can do in building a county program. At the same time there is a great interest among farm families in their own farming operations and family living. During the last year we have had an extended effort in a program planning operation in about a third of the counties.

I will pick out a few points that we have gleaned out of the reports of these committees. These they have identified as problem areas.

(1) Production efficiency and adjustment to market demand. They put that at the top of the list.
(2) Farm size, capitalization, credit, and management.
(3) Conservation and use of resources, both natural and human.
(4) Marketing and distribution inefficiency.
(5) Family health, home living, and management.
(6) Youth development and opportunities.
(7) Organization and industrialization of rural areas.
(8) Small farms, high risk, and underemployment.
(9) Community development.

These are the points that they have brought out. In doing so they look to Extension to utilize all of the known methods of tackling these problems as well as any new methods which have come along.

One of the new devices is television. It is being used very extensively in Extension at the present time. It requires much effort and a good program of training. Extension services the country over are today spending more time and effort than they ever have ever done before in training staffs in the whole field of communications.

RURAL YOUTH WORK

I would like to comment briefly on rural youth. In spite of the fact that the number of people on farms is going down, the number of youngsters of 4–H Club age is going up. This is due to larger families and a tendency for families to migrate from the urban areas to rural areas. We have the problem with these youngsters of not only conducting a program to help them in the field of agriculture, but they are also interested in looking afield into other occupational opportunities.

Agriculture today is broader than farming alone. There are many opportunities for these young people in distribution, processing, transportation, merchandising, and utilization of farm products. We believe that our 4–H program needs to be broadened to meet some of those needs.

I would now like to comment briefly on the family living situation in the rural areas today.

There are many points of concern, such as housing, labor simplification, nutrition, child care, home beautification, and so forth, and all of these have taken on a new significance with 1 out of every 4 homemakers in rural areas working away from home. That has presented a problem to Extension.

I have tried briefly to report this list of problems and give you a very few of the high points and some of the changes that are taking place in our rural economic and social structure. The virtual explosion of technology and all of these other influences have brought new emphasis, such as the unit approach to help families meet these problems and in rural development which Mr. Peterson has very well described.

More Extension work is being done in the field of distribution, utilization, and consumption of farm products. There continues a demand on extension workers for background information needed by county committees in building extension programs which can be designed to bring the best and newest findings of research to bear on their problems.

In light of the magnitude of these problems, we want to assure you that the Extension Service throughout the Nation will continue to extend its resources to the limit to maintain the kind of competency that will be needed to meet the exacting demands of modern farming, homemaking, marketing, and the distribution and utilization of agricultural products.

I am very happy to have with me today Mr. Kepner, Deputy Administrator, and Mr. Schruben, Assistant Administrator for Management.

We will be glad to attempt to answer any questions that you may have.

Mr. WHITTEN. Thank you, Mr. Ferguson. We are pleased to have this presentation.

AGRICULTURAL AND OTHER ACTIVITIES OF THE FEDERAL GOVERNMENT

Having listened to your statement and that of Secretary Peterson, there is one thing that strikes me. I do not have reference to you two as individuals at all, because I know you both have done a good job. But the thing that gets me, having listened to the presentation of various witnesses from the Department of Agriculture from the Secretary on down, is the fact that so many people seem to try to solve the agricultural problems by considering agriculture as something separate and apart.

I do not believe there is any way in the world to handle agriculture if we just consider it by itself. There is no way to handle the Department of Agriculture if we just consider the Department of Agriculture.

I say that, because I am on the National Defense Appropriations Subcommittee and these jobs that the Secretary of Agriculture discusses that the folks on the farm are going to have to take, in my judgment, are to a great degree created through national defense spending, which is in the nature of pump priming.

I hear the county agents and the State extension directors discuss the problems they have in getting employees because of salary rates. Yet, that pinch is caused because of the Government's spending 65 percent of its annual income on what is termed "defense spending," much of which creates abnormal demands upon everybody with special training.

Further, the Federal Government, through foreign aid, has had at one time 732 in foreign countries promoting foreign agriculture. It is

the competition for those county agents, folks trained in it, that creates an abnormal demand.

You have folks leaving the farms and many of them are leaving, I say, because of a synthetic demand. I do not mean to say that defense is not in order. I am talking about that percentage of defense spending which, in my judgment, is in the order of pump priming, rather than providing a dollar's worth of value.

Then we consider the matter of farm subsidies.

I read where the Secretary, speaking down in New Orleans the other day, said that the Federal Government had spent $10 billion on farm programs, I believe he said since 1950. If the farmer had not gotten that his income really would have been at a disastrous level.

The Secretary also said, "Think of the missiles we could have bought with that." I want to point out that the folks we buy missiles from, their stocks went up in 5 years from an average of $58.50 to $149-and-a-fraction per share.

The military department will have on the first of July 1958, $8 billion, not even obligated, not even contracted for. They recommended $300,000 for a home for the Chairman of the Joint Chiefs of Staff in last year's budget. Yet the country does not even provide a home for its Vice President.

I could sit here and recite for hours the waste that is in that program. Yet for the Secretary to hit at how much this Government has contributed to the supporting of agriculture, and to state what we could have gotten in the way of missiles, in my judgment, represents no study on his part whatsoever. It represents no study of what tremendous waste there is in national defense expenditures or of the billions and billions of dollars that are provided in unusual, extraordinary profits to American industry.

We had an investigation about 2 years ago and I finally got Secretary Wilson to read it. He came before our committee and said it made him "mad and sad" that he had any such operations in his Department.

The Air Force last year put a big crowd of people to studying its own books to see how much money they had. They called the operation "Smoke-Out." When they recovered the money from themselves, they called it "Recoupment." They recovered one-billion-three-hundred-million-some-odd dollars last year. How much they have found by now, goodness only knows.

I mention these things to indicate that, when the Secretary who represents agriculture says "Get a job in town," that job in town is an unstable thing. He points out that you are spending $10 billion on the support of agriculture. Yet, over here we spend $50 billion supporting industry, to a degree, putting out munitions of war. To say what he did is to fail to grasp, as I see it, the whole picture.

I believe that you said that the cost of farms has increased from $6,000 to $27,000 in this period of 17 years. It has, but it means that a fellow who wants to farm now must have $27,000 to get a farm where he could have done it before with about $6,000.

A great many of our problems, are caused because in agriculture we have gotten one theory, while in every other department, they are busy trying to pump prime and get more money into the hands of labor.

The Labor Department is always supporting more and more wages. The Commerce Department apparently is thoroughly agreeable to more and more profits to industry.

SALARY LEVELS OF AGENTS

Last year we had a lot of county agents come to us with the statement that other agricultural workers at the county level were drawing higher pay than they were. They pointed out that county agents who were working in foreign aid programs, helping foreign agriculture, could get a much higher salary than they could hope to obtain if they stayed here to help American agriculture.

I tried to point out to them that the matter of salaries of county agents is beyond the reach of this committee and of the Congress, but we did believe in the county agents and for that reason we would be glad to have them appear before our committee and let them tell their story. On page 15 of our report last year we pointed out the increases in Federal payments to the States for extension work and pointed out our deep interest in the county agent system, and the county home demonstration agents. We expressed the hope that from the increases made the State extension services could find it possible to give some attention to putting the county and home demonstration agents at least on an equal basis with other agricultural workers in the county.

I find since then that some of the county agents resented this. In fact some of them indicated that this committee and the Congress should tend to its own business.

To be frank with you, it is not our business since it is not under our control. I realize that the State directors of extension, like us on this appropriations committee, have many more calls for money that they have cash. So I am not in any way saying that we want to take over their jobs. Insofar as I know, they do a splendid job.

However, I wonder about the action in the various States with regard to the increase in funds over the last several years as related to salaries.

Do you have a record showing how the various States have handled that and what part went into more State workers at the State level, what part went into assistant agents and junior people at the county level, and what part may have been used in the various States to equalize the salaries of county home demonstration agents?

When I ask for that, may I say once again, I know it is entirely the business of the State. I know that the county and State contributes to the total funds from which the salaries are paid. Again, I am not in any shape to say that anybody has not handled it exactly as he should.

However, since we are under this pressure, I would like the record to show the facts and I would like for you to describe to us how the determination is made as to whether to put on more specialists, more assistants, or to keep the top man on an equal basis with others. I wish you would describe that and describe where the funds come from, who has control of how they are used, and then give the picture as to how the funds have been used in the last 5 or 6 years.

Mr. FERGUSON. I will be very glad to do that, Mr. Chairman.

We are concerned, as you are, about the problem of Extension salaries. That is one of our very serious problems, particularly in some States. It is not a problem common to all States. Some of our States have gotten their salary levels up very well.

SOURCE AND USE OF EXTENSION FUNDS

Mr. WHITTEN. The funds for this program come from what sources?

Mr. FERGUSON. The funds for the program come from three sources: at the present time 40 percent of the funds are coming from the Congress, 23 percent from the counties, and the balance from State appropriations.

Once these funds are placed in the States, the allocation of those funds is the responsibility of the State extension director.

He makes up his budget on the basis of what he can do with what funds he has available and what demands are placed upon him for fieldworkers in the counties or for specialists at the universities and the supervisory personnel to keep the program going well.

SALARY LEVELS OF AGENTS

We do not determine the salary structure here. We have discussed this problem with the directors at regional meetings. We have discussed it with the extension committee on organization and policy. We find that there is great concern for it. Last year the States made very substantial progress toward salary adjustments. The actual increase, for the Nation, in Extension agents salaries last year was 7.6 percent.

These were made from State and county sources. Last year increased non-Federal appropriations for extension amounted to over $8 million, and most of those funds went into salary adjustments.

There is some difference of opinion and policy between States as to whether increases should be met out of county funds, State funds or Federal funds, but all States are concerned with the salary levels.

While there are still unfortunate discrepancies between the States, we are making a good deal of progress.

Mr. WHITTEN. May I say again, I have the greatest sympathy for any extension director who has this problem, because we have something of the same problem right here in trying to determine what we can do with what we have.

Mr. ANDERSEN. Out of what funds is the State director paid?

Mr. FERGUSON. Out of Federal and State funds.

Mr. ANDERSEN. Are they commingled funds?

Mr. FERGUSON. Yes, sir; usually they are.

Mr. ANDERSEN. You say "usually"?

Mr. FERGUSON. Yes, sir.

Mr. ANDERSEN. There is no set pattern, then, as to the fund out of which he should be paid?

Mr. FERGUSON. A State director would not be paid out of county funds. He would be paid out of Federal and State funds. In some cases it might be Federal or State, depending upon their particular budget situation.

Mr. ANDERSEN. As I understand it, there is no set pattern in the States as to where or how the funds are expended?

Mr. FERGUSON. That is right. That is a matter of policy within the States and, of course, the State director has institutional policies with which he must conform.

For instance, when they adjust salaries for the entire institution that has a bearing on what he can do with his Extension salaries. He has to stay in line with institutional policy.

Mr. ANDERSEN. I personally feel that Extension salaries have lagged behind and that is why I bring this subject up each year in an effort to help raise these salary levels to a more equitable compensation for the men and women who contribute so much to farm life.

Mr. PETERSON. Mr. Chairman, I would like to comment at this point upon the observations of Mr. Andersen to this effect:

We do with the States in conference discuss salary problems, and try to see what we can do to help them solve some of these problems. Some of the States have some very difficult problems, and in a good many cases we have been able to point out ways and means by which they could make some adjustment in salary structure to the advantage of the staff.

Mr. WHITTEN. I think the county agent is and should be the top agricultural man in the county and, if so, he should be paid accordingly. Again, I have not studied the salary schedule, but even at the National County Agents' Association in Houston, Tex., and later at the Mississippi County Agents' Association I had numerous county agents tell me that in many instances they were below what other agricultural workers were receiving. They were people in whom I had a great deal of confidence, and I am sure there was some word of truth in the statements made. That is the reason this subject has been brought up.

ADDITIONAL INFORMATION SUPPLIED ON EXTENSION PROGRAM

Could you supply such information as we have discussed here this afternoon?

Mr. FERGUSON. We will be very glad to supply that information, Mr. Chairman.

(The information requested follows:)

Annual increase of cooperative extension funds, fiscal years 1955–58

Fund	1955	1956	1957	1958	4-year total increase
Federal payments to States, Hawaii, Alaska, and Puerto Rico	$7,421,671	$5,800,000	$4,390,000	$850,000	$18,461,671
State sources:					
State appropriation	2,123,000	1,842,000	2,676,000	6,476,000	13,117,000
County appropriation	1,451,000	1,653,000	2,217,000	1,539,000	6,860,000
Total State sources	3,574,000	3,495,000	4,893,000	8,015,000	19,977,000
Grand total	10,995,671	9,295,000	9,283,000	8,865,000	38,438,671

Number of State and county extension agents, July 1, 1954, and Dec. 31, 1957

State	State administrative and supervisory personnel		State specialists		Extension county agents	
	1954	1957	1954	1957	1954	1957
Alabama	20	20	37	41	370	411
Arizona	5	5	14	15	29	46
Arkansas	20	20	31	45	262	301
California	22	18	49	65	322	388
Colorado	10	12	22	25	118	126
Connecticut	6	6	28	31	45	47
Delaware	3	5	16	17	13	12
Florida	16	17	31	46	193	233
Georgia	27	33	55	74	431	467
Idaho	9	10	19	25	81	95
Illinois	26	32	61	66	270	289
Indiana	23	25	74	78	251	262
Iowa	25	25	77	84	229	275
Kansas	20	24	65	72	249	270
Kentucky	28	24	40	46	301	353
Louisiana	20	23	44	52	278	330
Maine	6	5	18	21	52	57
Maryland	11	13	36	38	95	120
Massachusetts	9	8	33	36	84	90
Michigan	24	30	89	95	227	283
Minnesota	20	22	38	40	191	216
Mississippi	24	23	56	55	398	478
Missouri	23	24	45	65	321	389
Montana	10	10	24	23	92	111
Nebraska	18	23	42	51	145	176
Nevada	4	4	4	12	23	30
New Hampshire	6	6	14	16	45	52
New Jersey	7	7	29	43	84	91
New Mexico	8	12	18	21	81	91
New York	17	20	130	136	327	392
North Carolina	33	35	84	103	552	667
North Dakota	13	14	26	28	81	101
Ohio	18	20	60	76	220	243
Oklahoma	18	23	46	46	269	300
Oregon	15	20	50	52	140	158
Pennsylvania	21	21	89	107	219	269
Rhode Island	3	3	5	6	12	12
South Carolina	19	20	45	46	239	293
South Dakota	15	14	34	37	104	128
Tennessee	20	19	54	57	336	379
Texas	39	42	66	72	651	701
Utah	7	8	24	22	59	59
Vermont	7	5	16	18	41	47
Virginia	25	31	74	74	326	371
Washington	12	11	25	30	131	152
West Virginia	13	15	26	26	142	154
Wisconsin	19	20	70	75	207	266
Wyoming	6	8	14	21	51	56
Alaska	3	3	1	1	9	8
Hawaii	7	7	15	17	43	43
Puerto Rico	17	27	39	59	186	297
Total	797	872	2,102	2,407	9,625	11,185

Average annual salaries

State	County agents' average salaries		Associate and assistant county agents' average salaries [1]	
	1954	1957	1954	1957
Alabama	$5,949	$6,751	$4,309	$4,999
Arizona	5,773	6,984	4,737	5,729
Arkansas	5,043	6,409	3,960	5,111
California	[2] 8,862	[2] 9,680	[3] 6,319	[3] 7,251
Colorado	4,972	5,792	3,900	4,539
Connecticut	6,368	7,167	----------	5,352
Delaware	6,967	8,200	----------	6,500
Florida	5,196	6,243	4,253	5,038
Georgia	4,811	5,933	4,198	5,122
Idaho	5,265	6,308	----------	----------
Illinois	6,463	7,209	4,455	5,316
Indiana	5,736	6,437	4,426	5,055
Iowa	5,668	6,271	----------	5,444
Kansas	5,425	5,957	4,743	4,988
Kentucky	4,864	5,714	3,784	4,559
Louisiana	6,340	7,215	4,605	5,493
Maine	4,661	5,527	----------	4,913
Maryland	6,253	7,929	4,362	5,326
Massachusetts	5,746	6,461	4,625	5,071
Michigan	6,250	7,221	5,713	6,554
Minnesota	5,345	6,176	4,581	4,907
Mississippi	4,989	5,406	4,042	4,301
Missouri	4,798	5,729	4,010	4,824
Montana	5,027	6,058	4,212	5,054
Nebraska	5,200	6,127	3,768	4,795
Nevada	5,645	7,778	----------	5,803
New Hampshire	4,995	5,570	----------	4,500
New Jersey	8,994	9,425	5,919	6,772
New Mexico	4,958	6,042	3,974	4,803
New York	5,937	6,678	4,717	5,294
North Carolina	6,134	7,087	4,657	5,276
North Dakota	5,024	6,045	4,412	4,923
Ohio	5,792	6,734	4,560	5,336
Oklahoma	5,294	6,203	4,238	4,972
Oregon	6,252	8,661	5,077	7,302
Pennsylvania	6,202	7,141	4,326	5,089
Rhode Island	5,961	6,868	----------	----------
South Carolina	5,445	6,180	4,036	4,683
South Dakota	4,908	6,065	----------	4,728
Tennessee	4,680	5,864	3,982	4,717
Texas	5,191	5,950	3,978	4,823
Utah	4,670	5,898	----------	5,075
Vermont	4,914	6,089	----------	5,050
Virginia	5,119	6,062	3,749	4,392
Washington	5,975	7,705	4,775	5,992
West Virginia	4,671	5,508	----------	4,810
Wisconsin	5,549	6,293	4,636	5,298
Wyoming	5,560	6,702	----------	5,628
Alaska	6,750	7,800	----------	7,000
Hawaii	6,066	6,646	4,380	5,036
Puerto Rico	3,562	3,709	2,971	3,068

[1] Computation based on 10 or more agents.
[2] County directors.
[3] Farm advisers.

Average annual salaries

State	Home demonstration agents' average salaries		Associate and assistant home demonstration agents' average salaries [1]	
	1954	1957	1954	1957
Alabama	$4,282	$4,822	$3,480	$3,974
Arizona	4,700	6,542	----------	5,120
Arkansas	4,260	5,295	3,310	4,278
California	6,302	7,292	----------	----------
Colorado	4,076	4,885	----------	4,100
Connecticut	5,331	5,892	----------	4,517
Delaware	4,333	5,433	----------	----------
Florida	4,294	5,095	3,561	4,224
Georgia	3,975	4,797	3,640	4,271
Idaho	4,284	5,248	----------	----------
Illinois	4,350	5,005	3,091	3,883
Indiana	4,334	5,000	----------	----------
Iowa	4,305	4,795	----------	----------
Kansas	4,392	4,617	----------	4,859
Kentucky	4,019	4,686	3,207	4,081
Louisiana	5,310	6,141	3,791	4,420
Maine	4,033	4,620	----------	4,867
Maryland	5,578	7,149	4,023	5,079
Massachusetts	4,818	5,987	3,632	4,524
Michigan	4,848	5,618	----------	----------
Minnesota	3,964	4,626	----------	4,120
Mississippi	4,135	4,381	3,366	3,519
Missouri	3,762	4,592	----------	4,340
Montana	4,198	5,087	----------	4,365
Nebraska	4,153	5,144	----------	4,562
Nevada	4,680	5,865	----------	----------
New Hampshire	3,888	4,570	----------	4,000
New Jersey	6,342	7,184	----------	5,753
New Mexico	4,298	5,126	3,818	4,332
New York	4,533	5,147	3,443	4,173
North Carolina	4,890	5,533	3,747	4,332
North Dakota	4,129	4,922	----------	4,176
Ohio	4,461	5,258	----------	----------
Oklahoma	4,465	5,173	3,672	4,372
Oregon	4,848	6,447	----------	----------
Pennsylvania	4,617	5,739	3,490	4,422
Rhode Island	5,021	5,963	----------	----------
South Carolina	3,777	4,468	2,936	3,441
South Dakota	4,243	5,164	----------	4,033
Tennessee	3,907	4,710	3,547	4,281
Texas	4,518	5,245	3,883	4,537
Utah	3,811	5,174	----------	----------
Vermont	4,181	5,185	----------	----------
Virginia	4,630	5,628	3,520	4,197
Washington	5,274	6,696	----------	6,100
West Virginia	3,909	4,600	----------	----------
Wisconsin	4,270	4,978	----------	----------
Wyoming	4,429	5,397	----------	----------
Alaska	5,100	6,050	----------	----------
Hawaii	5,556	6,551	----------	4,705
Puerto Rico	3,136	3,179	2,623	2,802

[1] Computation based on 10 or more agents.

SALARIES OF COUNTY AGENTS

Mr. ANDERSEN. Mr. Chairman, I would like to have one other statement on the record relative to this matter. My other remarks have been off the record.

I recall—I believe it was back in 1947—that I led the fight on the floor of the House for additional payments to the States in this particular category for the sole purpose of boosting the Federal payment or contribution from the viewpoint of trying to keep in office a good many of our county agents who were beginning to feel that they could do better elsewhere, and were fast deserting the Service.

I am wondering now, after 12 or 13 years, if perhaps we are not again coming to a somewhat similar situation with all of these large salaries abroad for which these people can qualify if they wish. I think, as Mr. Natcher has mentioned that, perhaps, it might be well if we could have in the record for the benefit of the State directors of the Extension Service this sort of a discussion, urging them to look into the matter of whether or not our county extension people of all classes are amply paid in comparison to what they are expected to do. I know that in Minnesota we have outstanding men and women working in Extension and, frankly, I consider them underpaid for their services. I think about 30 States pay county agents more than in Minnesota and practically all have higher salaries for home demonstration agents. I know our staff in Minnesota are equally if not better qualified and I want to see this inequity corrected. That is my sole reason for bringing up this subject today, Mr. Ferguson.

Mr. WHITTEN. In that connection, Mr. Ferguson, I live in a small town in an agricultural county. I find a good many people who are very much interested in having the Director of the Extension Service supply the specialists in certain types of agricultural work, such as an assistant agent. Then I find a great many other people who will say "If we could keep a good county agent and pay him enough to keep him, we do not want a whole lot of subordinates here; they cannot tell you anything, and you always have to go to the county agent anyway."

I can see that he is pulled from two sides on that. Again, I can see that the Director's job is equally as difficult when he tries to divide out what he has, as ours is here. But we can, as we did last year, do our best to indicate that the county agent should certainly be on the level with any other agricultural worker, and I trust that they are striving to do that.

I do not think there is a whole lot more we need to do in the way of discussing it. We are thoroughly familiar with the program. All of us have been here a good many years, and we realize that the dollar is getting cheaper and cheaper, and the pressures on us for defense spending are getting greater and greater.

I do not know what we can do other than consider the request in line with the problem and proceed from there.

Mr. Marshall, do you have any questions?

NUMBER OF COUNTIES SERVED BY EXTENSION WORKERS

Mr. MARSHALL. Mr. Ferguson, how do the number of counties that have extension work in them compare with a year ago? Would that be the same number?

Mr. FERGUSON. I do not think there has been any change, Mr. Marshall, in the number of counties. There has been a slight increase in the number of personnel, but the number of counties, is the same as it was a year ago.

Mr. MARSHALL. Which is a very strong indication that the local people are satisfied with the work?

Mr. FERGUSON. Yes; and I think another indication of that same thing is the very generous increased support the Extension Service has gotten from our State legislatures, and the county governments last year, which ran well over $8 million, and it was out of those funds, that most of these salary adjustments were made last year.

RURAL DEVELOPMENT PROGRAM

Mr. MARSHALL. You have 72 counties in which you are carrying on the rural development program?

Mr. FERGUSON. Seventy-two counties, or areas. They are not all restricted to the county lines. Some of them are areas with a common economic interest such as trade areas.

Mr. MARSHALL. And how does that compare with last year?

Mr. FERGUSON. That is an increase over last year. Last year we had 54.

Mr. PETERSON. You might recall, Mr. Marshall, if I may interject, I believe there was language in the conference report last year which said that the increment funds provided in last year's budget should be used primarily for initiating the work in areas that were new.

Mr. MARSHALL. In the 54 counties that were in operation a year ago, how many people found employment opportunities off the farm because of the efforts of the rural development program?

Mr. FERGUSON. Mr. Kepner has followed this program very closely. He has been our liaison person on it. May I ask him to comment on this program?

Mr. MARSHALL. We would be glad to hear his remarks.

Mr. KEPNER. I wondered about the same point not less than 3 hours ago, Mr. Marshall. Some of the reports which we had available mention new plants and new employment opportunities. These included the number of people for which employment was provided, which was 4,692. That does not include all the plants because the State reports did not indicate the total number of people who were provided with jobs.

This information is contained in two parts. The reason I have it in two parts is that I do not believe we can honestly claim credit for rural development in one case. It was started in much the same way. In that particular county the local people had banded together and the work was getting under way before rural development assistance

was given. They realized they were in dire straits, and had made surveys as to potential labor supply and so forth. This is what rural development counties are doing.

As a result of this effort we have one new industrial plant in Monroe County, Ohio, which employs 2,300 out of that 4,600 people. But, leaving that out, we have a record of plants providing 2,392 jobs.

Mr. KEPNER. I would like to add this point, sir. This program is much broader than just providing additional employment opportunities outside of agriculture.

There is a great deal that we cannot add up statistically. You see evidence of it here and there. There have been a good number of people who have secured employment by virtue of the fact that their availability became known through rural development efforts.

There are also a great many who are finding opportunities for employment within agriculture at some distance from their residence or farms, where farmers needed additional help. From the employment standpoint, the answer cannot be found in a short period of time. We have evidence that very significant progress is being made, and we have real confidence in the productivity of the effort.

Mr. MARSHALL. In your judgment some new industries have developed because of your work?

Mr. KEPNER. Yes, sir.

Mr. MARSHALL. Do you have the number of industries which have come into being because of the rural development program?

Mr. KEPNER. I do not have that summarized. I could brief it and have it inserted in the record.

Mr. MARSHALL. That would be sufficient.

(The information requested follows:)

State rural development committees report that 29 new plants have been started and 3 existing plants expanded, primarily as a result of the rural development program.

Mr. MARSHALL. Have you discontinued the work in any counties?

Mr. KEPNER. No, sir.

Mr. MARSHALL. How much have you spent on the rural development program in the past fiscal year?

Mr. KEPNER. Our appropriations for this year amounted to $890,000. Last year it was $640,000.

Mr. MARSHALL. Will you expend all of the $890,000 by the end of the fiscal year?

Mr. KEPNER. With the exception of an item of $48,000 which we are temporarily not allocating by virtue of the language in the joint committee report, which indicated that new funds were primarily—I may not be using the exact words—for work in new States. We have met all of the requests from States which are new to the work this year.

The $48,000 is over-requested from "old" States. By virtue of the language in the committee report which we consider as an instruction to us and as of the moment do have a reserve of $48,000 which has not been allocated.

COUNTY WORK WITH INDIANS

Mr. MARSHALL. Have you been doing any of this work in counties where they have a large proportion of Indian population?

Mr. FERGUSON. New Mexico would be the only case where there is a significant number of Indians. I am not familiar with the exact situation that exists in the two counties in Oregon and Washington—I believe the Indian population may be a factor there.

Mr. Marshall, I am not quite sure of the reservation boundaries in northern Minnesota. There may be some Indian population in that area.

Mr. MARSHALL. Well, in setting up the counties in Minnesota the program is not operating in the counties where they have the largest Indian population.

Since we are talking about Indians, what has the Extension Service done this past year of note in showing some progress in helping the American Indian?

Mr. FERGUSON. We feel very good, about the progress that we have made in our program with the Indians. We have at the present time through contracts with the Bureau of Indian Affairs 93 agents who are assigned to work with Indians. We have in addition to that three clerical workers employed out of these funds. We have contracts in 16 States.

The Bureau of Indian Affairs is contributing through contracts a total of $519,000. We estimate that the States with an Indian population are getting a total of a little over $100,000 of Smith-Lever funds by virtue of their Indian population.

The States are contributing about $335,000 to the program in addition to the $519,000 which the Bureau of Indian Affairs is putting in.

4–H CLUB WORK WITH INDIANS

From a program point of view, I feel we are making our best progress with 4–H Club work and home-demonstration work.

The Indian people themselves and the tribes are responding in a very excellent fashion to this program. In fact, we have been quite well satisfied, but progress is not fast. It is a little slower than we would make with some other segments of the population. Yet, our 4–H Club program is going very well. Let me give you the enrollment in a few States, for instance:

Michigan, 150; Minnesota, 228; North Carolina, 2,000; Oklahoma, 6,000; and South Dakota, 500.

I have given you just a few of them here. I would be very glad to insert the total in the record.

Mr. MARSHALL. We would be glad to have that information inserted into the record at this point.

(The information referred to follows:)

State extension services report that 12,597 Indian youths were enrolled in 4–H Clubs in 1957.

HOME DEMONSTRATION WORK WITH INDIANS

Mr. FERGUSON. The second area of work with Indians that is moving along very satisfactorily, is that with the women in home-demonstration work, in nutrition particularly, but also in clothing and home improvements. Many of the Indian men, of course, are not interested primarily in farming; many are interested in industrial work. So, we have probably made our greatest progress in 4–H Club

work and home demonstration work, with work in agriculture in third position.

We are not unaware of the fact that we still have a great many problems, but we feel that we are making very good progress.

Mr. MARSHALL. We realize, of course, that this is something which will not be perfected in 1 year, but we are glad to see you are continuing to work with that important segment of our society.

EMPLOYMENT OPPORTUNITIES

Recently the unemployment situation has been growing in my area, and throughout the State of Minnesota the claims for unemployment compensation were higher by 30 percent than they were a year ago.

It so happens that in some of this area where you are carrying on the rural redevelopment program, it has been customary when employment declines for people to move back on the land because they can live cheaper.

Mr. FERGUSON. That is right.

Mr. MARSHALL. Is the Extension Service doing anything along the line of providing opportunities for people back there, and assisting them in the way of making a living?

Mr. FERGUSON. In the rural development program the committees that are set up are not just farm committees. They are committees that cut across the entire population. They include the village community, the business community, and organizations of all kinds. So, in that way the effort which is put forward would involve these people who may be temporarily unemployed and who may have temporarily or otherwise moved back into the home community.

Mr. WHITTEN. Would the gentleman yield to me at that point?

Mr. MARSHALL. Yes, sir.

Mr. WHITTEN. I believe there was put in the record this morning a newspaper article to the effect that Secretary of Labor Mitchell had estimated unemployment at some 4 million in the United States at this time.

This morning the Appropriations Committee reported out about $50 million in a supplemental appropriation to take care of unemployment payments to veterans and to Federal employees, which is that much more than was thought it would be when this year's appropriation was made last spring. There is also pending before the committee a request for $33 million of administrative money beyond what was thought to be needed to take care of unemployment.

I mention that to show the magnitude of this matter. I live in an agricultural region and a smalltown area. I suppose, somewhat similar to the area in which Mr. Marshall resides. When this unemployment in the cities takes place, all of the sons and daughters come back and fix up the vacant house on the old homestead. That has happened heretofore, and it will happen again if this recession continues.

I appreciate the gentleman from Minnesota raising this question because it could become a real problem.

Mr. PETERSON. In connection with the rural development program, Mr. Chairman and gentlemen, I think it would be a mistake to conceive of the rural development program as having for one of its major purposes the movement of people off the land. I think, rather, its

major purpose is to broaden the opportunities for the people on the land through two directions: One, bringing to them information which will show them how to use their resources—whatever that may be—better than they now do. No. 2, to bring into their community, for instance, or into the area that is reachable, employment opportunities.

I just wanted to make that observation—that we do not conceive the rural development program having as its primary purpose the movement of people out of the communities where they live, and off the land.

I think, personally, that as our country develops we will have large numbers of people living on relatively small properties, and getting some of their living and, perhaps, making some sales from the production of those properties, and wherever opportunity is available or can be made available, depending upon off-farm employment for the major portion of their income.

Mr. WHITTEN. Mr. Natcher, do you have any questions?

SALARY LEVELS OF AGENTS IN KENTUCKY

Mr. NATCHER. Mr. Ferguson, I know full well that the salary schedule of our county agents and home demonstration agents is under the jurisdiction of the land-grant colleges, and the county. I also know that the salaries vary from State to State.

Mr. Ferguson, I do know that extension workers in Kentucky are not adequately paid, and I want to commend you for your statement that you have made to the effect that from time to time discussions are held with the directors of the extension departments concerning this matter.

I think that procedure should continue, and I think you ought to be commended for doing it.

I know this: Our county and home-demonstration agents are the men and women who are directly responsible for carrying agricultural information to our farm people. Their salaries have never been high, and in my opinion some are entirely too low today.

I know that under the present law—the Smith-Lever law—and all of the laws under which this program is controlled, that this committee cannot increase the salaries of extension agents, but I do think, and I, for one, am very much personally interested in knowing what the salaries are of the county extension and home demonstration agents in my State, and I think that that information should be in the record as for all the States.

At the time this matter was called up last year, as you will recall, Mr. Ferguson, I inquired as to the average county agent salary in Kentucky and the information, that I received, was to the effect that the average salary was $5,497 last year. The associate agent's average salary was $4,836, and the assistant agent's average salary was $4,200.

The average salary in my home State of Kentucky for home-demonstration agents was $4,518. The associate home demonstration agent's average salary was $4,000, and the assistant home demonstration agent's average salary was $3,525. I believe those figures are correct, are they not, Mr. Ferguson?

Mr. FERGUSON. May I ask Mr. Schruben to check those?

Mr. NATCHER. Surely.

Mr. SCHRUBEN. I was following you pretty well until you got to the end of your discussion. I believe that the figures are slightly higher this year for the ones which you listed.

Mr. NATCHER. I am talking about last year.

Mr. SCHRUBEN. I think that is correct for last year.

Mr. FERGUSON. We would be glad, Mr. Natcher, to put those in the record again for you, if you would like to have that done.

Mr. NATCHER. I would, Mr. Ferguson, and I will appreciate it.

(The information requested follows:)

Average annual salaries of extension agents in Kentucky

	Oct. 1, 1957	Oct. 1, 1956
County agricultural agent	$5,714	$5,497
Associate county agricultural agent	4,896	4,836
Assistant county agricultural agent	4,445	4,200
Home demonstration agent	4,686	4,518
Associate home demonstration agent	4,340	4,000
Assistant home demonstration agent	4,000	3,523

AVERAGE SALARIES OF COUNTY EXTENSION AGENTS

Mr. NATCHER. In addition, Mr. Chairman, with your permission, I think we ought to have a chart in the record this year the same as we had last year, concerning the national average salaries for county agents and home demonstration agents. I think that ought to be in the record at this point, Mr. Chairman, with your permission.

Mr. WHITTEN. Without objection, it is so ordered.

(The chart referred to follows:)

Average annual salaries of county extension agents, as of Sept. 1, 1957 [1]

County agricultural agents	$6,581
Associate county agricultural agents	5,684
Assistant county agricultural agents	5,036
Home demonstration agents	5,337
Associate home demonstration agents	4,728
Assistant home demonstration agents	4,213

[1] The national average is the average of State averages.

Mr. NATCHER. Mr. Ferguson, as I stated a few minutes ago, I know that we cannot set the salaries of county agents and home demonstration agents but I personally feel that it is better to have the county agent and the home demonstration agent draw an adequate salary than it is to have so many other employees in each office.

I think it is the obligation of this committee to work along that line as much as possible. I want you, and the other members of your Department, to know that I think you have done fine work, and you have many accomplishments for which the people in my home State are appreciative.

I am delighted to know that these discussions are held from time to time with the directors.

In my home State of Kentucky, the director of the Extension Service is an outstanding man. He has outstanding men and women in his department, but I still believe, Mr. Ferguson, that it is all right to

know what the slaries are for my home State. I think they are too low now, and I think they ought to be increased.

In traveling over my district, and throughout Kentucky, I talked to county officials about it, and also other people.

The star farmer of Kentucky for 1957 was from my district. The youngster who won the conservation essay contest the other day, out of 28,000 essays, is from my home county. And so on down the line. This speaks well for our agricultural teachers and county and home demonstration agents.

Mr. FERGUSON. That is very fine.

Mr. NATCHER. We have won many awards, Mr. Peterson, in the last year—I would say nearly half of them in Kentucky—and it speaks well for the county agents, home demonstration agents, and agricultural teachers.

A lot of that is due to you people, and I think you have done fine work. I want you to know that any time you speak to the director of my home State about salaries for county agents and home demonstration agents, I appreciate it.

Mr. PETERSON. Thank you, sir.

Mr. NATCHER. Thank you, Mr Chairman.

Mr. WHITTEN. Mr. Andersen, do you have any other questions?

Mr. ANDERSEN. No further questions, Mr. Chairman.

Mr. WHITTEN. Mr. Horan, do you have any questions?

RURAL DEVELOPMENT PROGRAM

Mr. HORAN. I would like to have a little more on this rural redevelopment matter.

We have been insisting through the years that we have better information and more knowledge about what constitutes an economical unit as it pertains to farmers. They came up with a bulletin the other day—Bulletin No. 180—which undertook studies in six parts of the United States and came up with some rather alarming figures.

The information contained in this bulletin was to this effect, in order to make a net income of $2,500 in a western Oklahoma cotton-field, you had to have an investment of $14,000.

If you were to obtain the same income from a wheat farm in Montana, you would have to have an investment of $89,000, which is pretty low interest on the investment.

The cotton patch in Oklahoma to return $3,500 required an investment, I believe, of $17,000, and the wheatfield investment required $122,000 in order to return a net income of $3,500.

It is to a large extent in those areas such as I have mentioned that you are attempting to have a rural development program in operation?

Mr. HORAN. A great many things are involved.

PROCEDURE FOR CARRYING OUT A RURAL DEVELOPMENT PROGRAM

Mr. FERGUSON. Mr. Horan, we would be very glad to give you a rundown on how these rural development programs are developed in the county and what procedures we follow at the national, State, and county level.

Again I would like to ask Mr. Kepner if he would take this question. He is following this program very closely.

Would you take that question for Mr. Horan?

Mr. KEPNER. I will be very glad to. I think we should start at the Federal level. The procedure is for the Secretary's office to ask the dean of agriculture as a recognized leader in the field of agriculture in the States, and with the local label, to assemble the leaders of the Federal agencies operating in the State, the State agencies, leaders in agriculture organizations, and others, to consider this question as to whether or not the State wishes to undertake a program of this kind, and if so, where. That is the first step.

The second step is for the dean of agriculture to assemble such a group, consider the proposition, the limited amount of assistance that can be made available from the Federal Government to aid and abet the work, to recommend a county or more than one county, if the State committee sees fit, with a request for financial assistance in the case of the Extension Service for an additional worker or workers, to implement the working in the county or counties.

Subsequently the normal pattern has been either for the State committee as a body, or a subcommittee of the State committee, to go to the county that they have selected, ascertain if a comparable group in that county feels that this is a worth while undertaking and that it offers something for the improvement of the welfare of the county. If they so agree, then they ask the county to set up a similar committee, constituted in the main, of lay, nongovernmental people with the Government people such as the county agent, the soil conservation representative, the representative of the schools, and so forth, serving in an advisory capacity thus aiding and abetting, the effort. They emphasize the fact that this is something that Government can't do for people, but that Government is willing, with what limited resources it has, to help them solve their own problems.

Through the appropriation which the Congress has seen fit to make to the Extension Service to support this work, the Federal Extension office, upon the presentation of this State budget, will make an allocation to that State, within the resources we have, to hire extension workers to go into that county to provide leadership and assistance and a service to these county committees.

What they do and the course they follow is determined by that local group of citizens and not by either the State or Federal authorities.

Mr. HORAN. You have businessmen in those committees, too.

Mr. KEPNER. That is right. They include also school people. The ministry is almost always represented, so have a truly cross-sectional group of all of the people of the county involved.

Mr. HORAN. Where does the Farmers' Home Administration come into the picture?

Mr. KEPNER. They fit into it as the other Federal agencies do. Their representative will be a member of the county committee if there is one in the county; and, through him and back to his superiors at the regional and State level, he can bring his influence to bear, to see to it that the Farmers' Home Administration within that State, to the best of their ability, financially and otherwise and within the confines of their legislation, does everything it can to aid and abet the program.

I would like to say for the record that in many cases we have found that the Farmers' Home Administration either has found people or people have become aware of the resources of Farmers' Home and they have in many of these counties discovered new opportunities to be of assistance. This is the type of result that grows out of this effort.

Mr. HORAN. I am very happy to hear that because we have to face the facts as they are. If we are to have a farmers' program at all—this subcommittee has been quite zealous of it—they want it to succeed.

I think it has a better chance to succeed where the social atmosphere of any given farming community has been tilled a little bit, and this sort of approach I think could lead to more success there.

I am happy that we have Public Information Bulletin No. 180, which is a byproduct of this subcommittee, because if we have some standards to go by now, we know what we have to do.

Unless my colleagues object, I would like to have not only a progress report on what is being done in Stevens County—it can't be much, so far, because it is just getting underway. I would like to hear from Butler County. I understand that is doing all right.

Mr. NATCHER. Will the gentleman yield?

Mr. HORAN. Yes.

Mr. NATCHER. During the recess period I was in Butler County on several occasions and had the opportunity to meet with the rural development members. The program is progressing nicely in Butler County and we are proud of it.

Mr. HORAN. I wonder if we could also have 1 from Minnesota and 1 from Mississippi showing the work that is being done.

Mr. FERGUSON. We can do that.

Mr. HORAN. I understand excellent work is being done in Mississippi, especially in Tippah.

Mr. FERGUSON. Tippah is one of the counties.

Mr. HORAN. Unless my colleagues object, I would like to see some progress reports to show what is being done with this money.

Mr. ANDERSEN. I think that is a splendid idea. This thing has been a little too nebulous for us in past years. Now we are beginning to get our teeth into it and we would like to see what has occurred.

(The material referred to is as follows:)

KENTUCKY

Butler County

The Butler County Rural Development Committee has been active for 1 year. Surveys for determining local situations, labor available, enterprise opportunities, and benchmarks for measuring progress have been conducted cooperatively by USDA agencies, Government and private organizations, and the local rural development committee.

1. Most Kentucky rural development committees group their health, recreation, and church plans under a committee on community services. Results were encouraging in 1957. Butler County was the first to complete its drive raising $11,000 for the $40,000 health center. As a result of the success in Butler County, four other counties are busy raising funds for their health centers. All of these counties had tried this same project before the rural development program and had failed.

2. A community improvement contest was conducted with five pilot communities participating. Five hundred dollars in prize money for the community contest was provided by the Keeneland Foundation.

A reawakening of civic pride and a new spirit of cooperation is noticeable as a result of the rural development program. Two examples noticed were some

cemeteries cleaned up which had not been cleaned for years and many new mailboxes with names on them erected. Also two community houses have been built with plans for another one to be erected in the future.

3. A more wholesome environment for rural youth is being fostered by the programs and an active interest displayed in recreation for youth. As a result, one man has offered room in his place of business for a recreational area.

4. An educational survey revealed a high percentage of grade school and high school dropouts. As a result, the school authorities put on an intensive campaign resulting in a 50 percent decrease in school dropouts in Butler and Metcalfe Counties in 1957.

5. The dairy industry has been encouraged by the program. Several intercounty projects have been started in Kentucky. As an example, Butler and Ohio Counties started their first artificial breeding association in 1957. Two technicians were trained and a goal of 1,200 cows was set.

Prizes amounting to $700 were given at the first dairy show sponsored by the Rural Development Dairy Committee. A $60 calf was given to a 4–H Club-FFA boy. Two new 4–H Clubs have been organized, and are probably the two strongest in the entire county. Forty-five calves were placed in this county through the help of the Rural Development Dairy Committee.

Several hundred acres of additional permanent pasture have been added and a considerable number of cattle, both dairy and beef, have been brought into the organized communities.

6. An intensified effort was made to establish a commercial egg market. At present it looks as if there may be about 2,000 hens in commercial flocks as a result of work done last year. There is a market outlet for production of 1 million laying hens in the trade area. It appears that this project has excellent potential.

7. Two flocks of sheep of thirty ewes have been started in the county.

8. Industrial sites have been located with about 70 acres now available. Prior to this year, no sites have been available. The industrial part of the program is not moving as rapidly as the committee would like. However, surveys are being conducted and industrial contacts made. The local garment factory has planned for expansion.

MISSISSIPPI

Tippah County

Tippah County became one of the pilot counties in rural development in early 1956 under the program conducted by all agencies of the United States Department of Agriculture with State and local groups cooperating.

Accomplishments through this program, the major leadership of which came from the Tippah County extension service staff, include:

1. The county's first milk receiving plant. To build it, $25,000 without interest was loaned by local citizens. These loans were repaid within a few months as a larger plant in another town took over the Tippah plant when production averaged 30,000 pounds of milk per day.

Before this milk processing plant was established, one-third of the county had no access to a milk route.

This has added 150 new producers who were not selling any milk before. Over 50 percent of the 950 who sell fluid milk have increased the size of their herds and their production per cow.

Many farmers have been helped with the construction of elevated, walk-through milking barns to take much of the drudgery out of milking. They are getting more milk because of better milking. This also does much to increase pride in dairying and rural living.

2. Local leadership raised $1,200 and used it to successfully start an artificial breeders association for dairymen, which began operation in October 1957.

3. The rural development committee conducted a labor survey that showed more than 500 women interested in off-farm jobs. This led to local citizens voting in favor of a $130,000 Mississippi balance-agriculture-with-industry bond issue to expand a local clothing plant. Construction is underway. This will increase local industrial employment, mostly of women from nearby farms, from about 160 to more than 300.

4. Local merchants conduct a trade-day awards program. It features a registered Jersey cow as first prize in drawings held the first Monday of each month.

5. For additional income, 19 families each grew and marketed a half acre of strawberries in 1956. They and additional families did so again in 1957 in an organized production and marketing program.

6. Farm and home development and community development are important means of implementing the rural development program. Monthly programs

nable the educational messages from all agencies to reach many farm families who did not previously receive any appreciable amount of assistance of this kind. All of the communities hold "work days" to improve their meeting places and to generally beautify homes of the members. This movement has done much to enrich the values of rural living. Prizes totaling $2,000 each year are offered in the county's community contest.

The county extension staff is in charge of developing a 40-acre lake area for countywide recreation.

WASHINGTON

Stevens County

The State of Washington Advisory Committee on Rural Development was organized on October 14, 1957. After an analysis of the needs and characteristics of several counties, Stevens County was designated as the pilot county for the State. The Stevens County steering committee was appointed from a cross section of 14 interested groups. This committee is mobilized for action and will appoint subcommittees as needed.

The Extension Service has appointed an associate county agent and an associate home demonstration agent to work on a consultant basis with the steering committee.

At the State level there is a task force appointed by the director of extension, C. A. Svinth, whose responsibility it is to coordinate the resources of the Extension Service in the best possible manner to help in the promotion of the rural development program. The community organization specialist, A. A. Smick, was appointed by the director to serve as chairman of this task force.

Since reports available cover only 1 month of beginning planning, no agency can be singled out for special contribution, however, all local, State and Federal agencies involved are generally and enthusiastically volunteering to cooperate in every way possible.

Although the time is too short for actual project developments, there has been some activity. The county steering committee was invited to the campus of the State College of Washington for a training session in conjunction with the second community planning conference and workshop sponsored by the Agricultural extension service and five statewide organizations.

The program is being thoroughly publicized and suggestions for projects invited. The response has been excellent and the suggestions are being analyzed for feasibility. The publicity has been developed through newspapers, radio, and talks given by agents to granges, chambers of commerce and other organizations. Enthusiasm is high at the weekly meetings and activities of the steering committee and given time for active project development, it is anticipated that this program will show encouraging results.

Mr. HORAN. Times have changed.

Mr. ANDERSEN. You are correct. I hope it will prove to be a very good thing.

Mr. MARSHALL. Does anyone have anything he would like to add?

INVESTMENT AND RETURN

Mr. PETERSON. Just one comment, Mr. Marshall. I am sorry Mr. Horan had to leave. He made reference to a bulletin which we have recently released giving figures as to investment in farms required to give a certain return. I questioned with our research people the magnitude of the figures that they had included in this bulletin in relation to the return to a farm operation, and I was told, if I understood their report to me correctly, and I believe I did, that interest on the investment was figured as a cost and that the return figures shown are return to labor of the farm operator.

I thought that should be made clear with respect to the figures to which Mr. Horan made reference.

Mr. MARSHALL. We thank you for coming before the committee. We are always interested in your work and we always look forward to your appearance before us.

Mr. PETERSON. Thank you.

FARMER COOPERATIVE SERVICE

WITNESSES

ERVIN L. PETERSON, ASSISTANT SECRETARY OF AGRICULTURE
JOSEPH G. KNAPP, ADMINISTRATOR, FARMER COOPERATIVE SERVICE
KELSEY B. GARDNER, DIRECTOR, MANAGEMENT SERVICES DIVISION, FARMER COOPERATIVE SERVICE
J. KENNETH SAMUELS, DIRECTOR, MARKETING DIVISION, FARMER COOPERATIVE SERVICE
MARTIN A. ABRAHAMSEN, DIRECTOR, PURCHASING DIVISION, FARMER COOPERATIVE SERVICE
HAROLD D. WALKER, DIRECTOR, ADMINISTRATIVE MANAGEMENT DIVISION, FARMER COOPERATIVE SERVICE
CHARLES L. GRANT, DIRECTOR OF FINANCE AND BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

Salaries and Expenses

Program and financing

	1957 actual	1958 estimate	1959 estimate
Program by activities:			
Research and technical assistance for farmers' cooperatives (total obligations)	$510,052	$578,000	$578,000
Financing:			
Unobligated balance no longer available	9,948		
New obligational authority	520,000	578,000	578,000
New obligational authority:			
Appropriation	550,000	578,000	578,000
Transferred to "Salaries and expenses," Forest Service (71 Stat. 180)	−30,000		
Appropriation (adjusted)	520,000	578,000	578,000

Object classification

		1957 actual	1958 estimate	1959 estimate
	Total number of permanent positions	72	75	75
	Average number of all employees	62	70	70
	Number of employees at end of year	67	73	73
	Average GS grade and salary	8.2 $6,030	8.5 $6,201	8.5 $6,287
01	Personal services:			
	Permanent positions	$382,641	$433,327	$433,327
	Other personal services	1,527	1,673	1,673
	Total personal services	384,168	435,000	435,000
02	Travel	41,197	42,500	42,500
03	Transportation of things	810	1,000	1,000
04	Communication services	9,900	9,800	9,800
06	Printing and reproduction	50,804	42,500	42,500
07	Other contractual services	3,817	1,800	1,800
	Services performed by other agencies	5,614	8,200	7,400
08	Supplies and materials	3,478	3,800	3,800
09	Equipment	10,025	5,600	5,600
11	Grants, subsidies, and contributions		27,500	28,300
13	Refunds, awards, and indemnities	108	200	200
15	Taxes and assessments	131	100	100
	Total obligations	510,052	578,000	578,000

Mr. Marshall (presiding). The committee will be in order.
At this time we will hear from the Farmer Cooperative Service.

We will insert pages 167 through 173 of the justifications in the record.

(Pp. 167 through 173 of the justifications follow:)

Farmer Cooperative Service

PURPOSE STATEMENT

The Farmer Cooperative Service was established following the enactment of the Farm Credit Act of 1953 (Public Law 202, August 6, 1953), which transferred the research and technical assistance work for farmers' marketing, purchasing, and service cooperatives, under the Cooperative Marketing Act of 1926 from the Farm Credit Administration to the Secretary of Agriculture. The Service conducts research, advisory, and educational work with cooperatives on problems of organization, financing, management policies, merchandising, costs, efficiency, and membership to help farmers who are members of such organizations improve the operations of their businesses. It cooperates with the Extension Service, land-grant colleges, banks for cooperatives, State departments of agriculture, and other agencies to bring about better understanding and application of sound cooperative principles and practices. The Service also advises other Federal agencies on problems relating to agricultural cooperatives.

The Service carries on its work through three program divisions—Marketing, Purchasing, and Management Services. On November 30, 1957, the Service had 115 employees, 111 of whom were full-time and 4 part-time, all stationed in Washington, D. C.

Appropriation:

Appropriated, 1958	$578,000
Budget estimate, 1959	578,000

Salaries and expenses

Appropriation Act, 1958, and base for 1959	$578,000
Budget estimate, 1959	578,000

Project statement

Project	1957	1958 (estimated)	1959 (estimated)
1. Research and technical assistance for farmers' cooperatives	$510,052	$578,000	$578,000
Unobligated balance	9,948		
Total available or estimate	520,000	578,000	578,000
Transferred to "Salaries and expenses, Forest Service"	+30,000		
Total appropriation or estimate	550,000	578,000	578,000

Status of Program

The Farmer Cooperative Service conducts research, education, and advisory work to assist the 3 million farmers who are members of approximately 10,000 marketing and purchasing cooperatives and related business service associations. The Service acquires, analyzes, publishes, and disseminates information relative to farmer cooperatives to further their sound development. This work is carried on in cooperation with general farm and cooperative organizations, land-grant colleges, Federal and State extension services, and State departments of agriculture.

Current activities

The Farmer Cooperative Service helps farmers strengthen their cooperative organizations through improved structures, management, financing, and operating methods. The high costs of farm supplies and reduced prices for farm products are forcing cooperatives to adopt more efficient organization, management, and operating techniques. Changes in agricultural production are requiring the establishment of new marketing and purchasing cooperatives and the reorganization and consolidation of existing cooperatives.

Quantity buying of agricultural products by chain stores and other large handlers calls for increased services and better representation of farmers through

cooperatives if their marketing needs are to be adequately met. Similarly, to acquire farm production supplies at lowest costs, farmers need more effective processing and distributing cooperative services. Better integrated and stronger cooperatives will give farmers increased bargaining power, greater operating efficiency, and other large-scale organizational advantages.

The Service continues to carry on active long-range educational programs designed to strengthen membership participation and democratic control and improve public understanding of sound cooperative principles and practices. The Service provides national and State statistics on trends in growth and character of cooperatives for the benefit of farmers, extension workers, and others involved in sound cooperative development.

Farmer Cooperative Service completed work on 82 projects or specific phases of projects during the fiscal year 1957, and it is estimated that about 90 will be completed in 1958 and about the same number in 1959.

Selected examples of recent progress

1. *Dairy cooperatives helped on reorganizational problems.*—During the past year analytical and advisory service to dairy cooperatives has centered around problems associated with the increasing size and complexity of typical dairy cooperative operations. Cooperatives or groups of cooperatives have been assisted in working out problems relating to proposed mergers, consolidations, or other coordinated programs. In other cases, bargaining associations are finding that past operating methods are too restricted to provide marketing services needed and demanded by producers. Such associations have been assisted and encouraged in the expansion of their services to better meet present-day requirements. Other cooperatives have been assisted in appraising future facility requirements necessary to handle the increasing volume of milk through fewer and fewer plants. Managerial organization and accounting controls have not always kept pace with the increased scale of physical operations. Thus, problems relative to modernization and reorganization at the managerial level have been the subject of several case studies. Study and advisory service of this nature have helped dairy cooperatives cope with the industrywide trend toward larger and more complex operating units.

2. *Cooperatives and other handlers of domestic wool assisted on marketing problems.*—For many years foreign wools have been favored over domestic wools for processing. To help wool producers and their cooperatives, Farmer Cooperative Service interviewed 29 wool buyers to obtain suggestions and opinions that might be used in improving domestic wool production, preparation, and marketing methods. This study showed that a substantial number of wool buyers believed that the preparation of domestic wools should and can be improved. They stressed the need for uniform standards in appraising and describing wool. Buyers gave their reasons for using domestic and foreign wools and their views on the feasibility of selling wool through auctions and sealed bid sales. The wool cooperatives and others in the industry, extension and college people, and other agricultural leaders are making wide use of the publication on these findings.

3. *Fruit and vegetable cooperatives assisted in adjusting to changing conditions.*—The concentration of buying in wholesaling and retailing fruits and vegetables has resulted in trade practices that require major adjustments by cooperatives. The Service has helped meet these changed conditions.

For example, three apple-processing cooperatives in the Northeast requested assistance in improving their sales methods. A study of this problem indicated the desirability of coordinating their sales methods through a joint selling and merchandising program.

In another instance, a cooperative sales agency serving many producing areas has been experiencing a general decline in total volume. Recommendations have been made to decentralize many of its sales services, to emphasize direct rather than brokerage sales, to modify the overall sales program to meet local marketing problems and to strengthen grower control. A third study of a processing cooperative in the Northwest indicated the need for long-range planning, a new concept of membership relations, and revision of previous operating practices. Major sections of the findings on the study were reproduced by the cooperative for use of the membership in considering improvements in operations.

4. *Retirement plans for employees of farmer cooperatives analyzed.*—Many of the larger farm cooperatives have retirement plans in effect and have found them helpful in holding competent and skilled employees. Others are interested in finding plans suitable for their operations. This study of a selected group of employee retirement plans showed four different types are being used: (1) Group

annuity; (2) individual annuity contract plan; (3) group permanent; and (4) self-administered trusts. The group annuity can be used by cooperatives of any size and it is particularly well suited to the needs of smaller cooperatives. The self-administered trust, on the other hand, is better suited to the needs of larger cooperatives. The basic features of retirement plans including eligibility requirements, employee contributions, and benefits were compared. This information will be useful to managers and directors of cooperatives that have not yet developed employee-retirement plans. This project will result in improved operating efficiency and increased returns to farmer members by assisting cooperatives develop employee-retirement plans that will help them obtain and hold trained, experienced, and skilled personnel.

5. *Methods of controlling credit in local farm-supply cooperatives studied.*—Marked increases in business on credit and in accounts receivable are disturbing many directors and managers of farm-supply cooperatives. Area studies of local associations show that the proportion of credit sales increased from 52 percent of sales to 65 percent in the last 5 years. Days' sales in accounts at fiscal year end rose from 11 to 14; and proportion of accounts over 30 days increased from 43 to 53 percent of total.

Credit costs in 1955–56 were $1.70 for each $100 of credit sales. Results of this study indicated that credit control can be improved and costs reduced by: (1) establishing realistic policies by action of the board of directors; (2) adopting specific programs and practices where credit is extended; (3) establishing sound collection procedures and followthrough; (4) recognizing and equitably allocating the costs of credit; and (5) encouraging and assisting farmers to use existing credit agencies.

6. *Costs reduced and efficiency increased for livestock marketing cooperatives.*—Regional livestock-marketing cooperatives in Ohio, Indiana, and Michigan operate 35 branch markets and sell more than 6 million head of livestock for farmers. Analysis of their operation points out the weaknesses and strong points of the branch markets and will help all livestock-marketing agencies avoid pitfalls, and improve the layout and operation of these markets. This work points the way to a great saving in labor through pooling of livestock and selling by grade. Seventy-five to eighty percent of the labor can be saved by these practices.

7. *Cooperative rice marketing encouraged.*—Cooperatives are now handling more rice for producers than ever before and they have joined with others in the industry in seeking ways to increase consumption of rice through joint promotion activities. The improved marketing methods used by these associations are of major importance to growers, handlers, and consumers. The Farmer Cooperative Service has just completed a study designed to increase the efficiency of these cooperatives in serving producers and the results are now available for educational uses by the associations and educational agencies.

8. *Plant location studies reduce transportation costs.*—The Service has assisted a number of farmer cooperatives in locating facilities to serve farmers economically and reduce transportation costs. These studies involve analysis of comparative freight rates for the commodity, transit arrangements, and methods of shipment. For example, assistance was given to 17 cooperative wholesalers in locating a fertilizer plant to efficiently serve farmers in the Midwest. By acquiring these facilities at the site selected, farmers will save in excess of $100,000 annually in transportation costs. The Service is assisting in the relocation of an 8 million pound wool warehouse in the north-central area due to a shift of related manufacturing enterprises from New England. Relocation of these facilities will save farmers $50,000 annually in transportation costs.

9. *Management training for farmer cooperatives strengthened.*—Emphasis is being placed on the improvement of management for farmer cooperatives in the research and educational work of the Service. In cooperation with national cooperative organizations, management-training programs were developed for managers of livestock and wool marketing associations. This work covered executive and employee training, effective communication, methods of increasing volume, management controls, and better coordination of management staff. A similar program for management of farmers mutual fire-insurance companies in the Midwest was developed in cooperation with a land-grant college. This covered fundamentals of insurance, use of reinsurance, new insurance coverages, and loss prevention programs as well as principles of management and membership relations. Through participation in various State and regional conferences and short courses, the Farmer Cooperative Service has assisted in training cooperative managers in the fundamentals of good management and the importance of maintaining an efficient and up-to-date management team.

10. *Methods of financing farmer cooperatives studied.*—The cooperative-financing study has developed significant information on sources and types of equity capital, use of borrowed capital, distribution of savings, and the revolving-fund method of financing. In 1954 farmer marketing and purchasing cooperatives in this country realized gross margins and savings of $332 million in their operations. Almost 31 percent of these savings was distributed to farmers in cash as patronage refunds. Another 5.7 percent was paid in cash as interest or dividends on equity capital. About 56 percent of 1954 margins and savings was retained by the cooperatives as capital credits allocated to their members. Unallocated reserves took 3.6 percent of the total and State and Federal income taxes 4.2 percent.

Farmer cooperatives are increasing their use of the revolving-fund method of financing. The study shows that 62 percent of the cooperatives analyzed has at least one form of equity capital on a revolving-fund basis. From 1949 to 1954 there was an increase of 63 percent in the amount of revolving-fund capital. Total capital invested by farmer members in their cooperatives is estimated at $1.8 billion for 1954. A total of $1.2 billion of this capital is estimated to be on a revolving-fund basis.

This study provides basic data that will assist cooperatives to strengthen their financial structures and to develop sound financing programs suited to their needs.

11. *National statistics on farmer cooperatives improved.*—Continued progress has been made by Farmer Cooperative Service in improving statistical methods and developing better records to provide more accurate and complete information on farmer marketing, farm supply, and related service cooperatives. Self-help groups are currently receiving much attention as an important means of assisting farmers in many of their economic problems. This has led to widespread and renewed interest in their activities and brought an increasing demand for information regarding their membership and business operations. Statistics developed in the annual survey by the Service have served an increasingly useful purpose in answering this need for statistical information. The completeness of these nationwide statistics is largely the result of the interest and participation of cooperatives in the annual survey. More than 92 percent of the 9,887 cooperatives included in the most recent survey supplied information on their business operations.

Mr. MARSHALL. Secretary Peterson, do you have a statement which you wish to make?

Mr. PETERSON. I have a brief statement, Mr. Chairman, which, with your permission, I will read.

Mr. MARSHALL. You may proceed in any way you wish.

GENERAL STATEMENT

Mr. PETERSON. Mr. Chairman and members of the committee, we are glad to present for you the budget proposals for the Farmer Cooperative Service of USDA for fiscal year 1959.

The Farmer Cooperative Service is essentially a research and service unit of the Department with the responsibility to aid and assist farmers in the forming and operating of their cooperative business organizations. These associations benefit farmers directly to the extent they are able to secure increased returns for products marketed, lowered costs and better quality of production supplies purchased, and provide more complete and less costly services needed by farmers.

Farming today requires more capital, more equipment, and more business services of all kinds. Marketing and farm supply problems, too, have become more complex. Greater financial requirements and higher cash operating costs have increased risks. The character of the times requires a high degree of managerial skill for successful operation of the farming enterprise. Thus farmers are unable individually to give major attention to their relations with the nonfarm business community. As a result, they depend increasingly upon their own business representative—their cooperative—in the procurement of

supplies and services for production, processing and marketing, and other services.

Experience has demonstrated that capably managed farmer cooperative businesses can help the economic position of farmers. Today's conditions afford a growing challenge to farm cooperative business enterprises to conduct effectively off-farm business representation. Concentration of buying and handling of farm commodities for their farmer members requires that farmer business organizations—cooperatives—develop greater abilities to represent their farmer members. The trend toward bulk handling and delivery of production supplies and use of other new services also calls for the development of stronger purchasing and servicing associations to reduce farmers' operating costs.

If farmer cooperatives are to undertake larger responsibilities they need improvement in the quality of their management. Effective cooperative associations require effective direction. Methods of selecting and training directors are in need of improvement. More employee training programs and the development of sound long-range operating plans are necessary.

Farmers need to strengthen the financial structures of their cooperatives to provide the capital requirements for providing effective services to their members. Adequate capital from membership is essential to the building of more effective cooperative organizations.

To achieve maximum cooperative efficiency there must be a better mutual understanding among members, boards of directors, and managerial employees. Sound membership and communications programs are a required element to cooperative success.

The major objectives of farmer cooperatives are not well understood. Cooperatives should provide to the areas they serve information that will bring about understanding of the cooperative method of operation and its benefits to farmers and the general public.

Cooperatives will need to make increased use of research in adjusting their operations to continually changing conditions. Only in this way can farmers maintain their business organizations in condition to furnish needed business representation for their off-farm relations.

The Farmer Cooperative Service is, we believe, helping farmers meet these and other cooperative problems.

Overall budgetary considerations are such that we are recommending the continuance of this work at the same level as in 1958.

Mr. Knapp, Administrator of Farmer Cooperative Service, and members of his staff are here with me to give you more detailed information on the current program and operations of the Farmer Cooperative Service.

Mr. MARSHALL. Dr. Knapp, do you have a statement which you wish to make?

Mr. KNAPP. Yes, Mr. Chairman.

Mr. MARSHALL. We will be glad to hear from you.

STATEMENT OF THE ADMINISTRATOR

Mr. KNAPP. Mr. Chairman, and gentlemen of the committee, I appreciate this opportunity to report on our work in the Farmer Cooperative Service.

Today's business environment is working to the disadvantage of large numbers of farmer cooperatives that have not yet adjusted to fast-changing economic conditions. These associations are faced with the competition of large well-integrated businesses having extensive resources and a considerable degree of bargaining power. Moreover, mass consuming markets require large amounts of uniformly graded and packaged products that can only be provided by business enterprises, including cooperatives, big enough to provide a constant flow of product of the quality and quantity desired by the distributive outlet.

Experience is demonstrating that further integration of operations by cooperatives will be required if they are to represent farmer members to the best advantage in securing the highest possible return for products sold. Efficient cooperatives have in some cases, demonstrated that they can retain in farmer control the processes of integration and obtain the resulting benefits.

Farmers are just beginning to appreciate the challenge of integration and are recognizing a need for research information and educational assistance to help them build the kind of strong and efficient cooperatives required to maintain a stronger position in the marketing of their products. We, in Farmer Cooperative Service, are working on this problem because its solution will largely determine whether or not farmers can maintain or better their position as independent business operators.

In recent years I have furnished this committee a considerable amount of information on how we carry on our work. Today I wish to place emphasis on the problems we are working on. The foundation for all of our work with cooperatives is research, for our advisory and educational functions must be continuously backed up by sound research findings.

The 11 examples of our work in the justification materials before you explain how we are endeavoring to help farmers develop more effective cooperatives.

The following additional examples of our work will well explain what we are trying to do and how we are doing it.

In response to the concentration of buying power in the hands of fewer processors, fruit and vegetable growers are showing increased interest in bargaining associations as a means of developing comparable marketing strength. There are now 30 associations of this type as compared with but 15 only 3 years ago. They are most prominent in the Pacific Coast States, Utah, and in the major producing areas along the Great Lakes and the east coast. At their request, Farmer Cooperative Service called a conference of these associations a year ago to consider their common problems. This led to a request for a second conference of this group in January. We are now making a study to provide guides to growers in forming and operating such associations.

Many existing cooperative fruit and vegetable processor associations are relatively small and in a weak sales position. At the request of their informal organization, the Cooperative Processors Association, we conducted a nationwide survey to determine the degree of their interest in a common sales program. The results indicated that 74 percent favored having a joint sales agency. These associations have requested us to determine the type of organizational structure and brand policy that would be most effective for such joint sales effort.

Growers supplying large metropolitan areas with fresh fruits and vegetables have customarily marketed such products as individuals. This small-lot marketing is not suited to the current mass merchandising needs of retailers. Following requests from many grower groups we are making a study to find ways by which existing organizations may be improved or new ones developed to maintain or regain nearby markets.

In cooperation with the University of Connecticut, we have made a study to determine advisability of consolidating five Connecticut egg and poultry cooperatives. Following the study, a committee was formed by four of the associations and plans are underway to effect consolidation. We estimate that consolidation in a well-planned and operated centralized association can result in additional returns of $250,000 per year for the 2,000 producers involved. As a followup we are making a study to determine how all poultry and egg marketing associations in New England may better coordinate their operations. We have also been requested to extend this survey to include egg and poultry cooperatives in the 13 Northeastern States.

We also have examined the feasibility of joint egg handling by two Minnesota cooperative federations. We believe that this work carried on in cooperation with the University of Minnesota and the Minnesota Department of Agriculture will result in increased farmer returns through greater bargaining power, payment for improvement of quality, and lower handling costs.

In another study of this type we are analyzing the possibility of consolidating the marketing and purchasing operations of two regional egg and poultry associations in California. We have two men who are working on this problem in California at the present time.

At the request of 6 artificial breeding associations in New England and 1 in New York State we are examining the advantages and problems that would result from their merger or consolidation. We believe that our report will provide a practical basis for coordinating the operations of these associations.

Together with the University of Illinois, we are studying ways to improve the efficiency of three livestock marketing cooperatives. These associations operate in the same general area and consolidation into one organization appears feasible with resulting benefits to producers in lower costs and improved services.

We are conducting a study of operating costs in drying skim milk by 8 cooperatives in 2 North Central States. This work is revealing significant ways of reducing costs which can increase milk returns to several thousand farmers.

Our comparative study of 10 soybean oil mills in the Central States disclosed that 1 mill had an unusually high product loss during milling. This led to the correction of the cause of the loss, with increased net returns to some 3,000 farmer members. A similar study of 13 cooperative cottonseed oil mills showed that 1 plant was using considerably more labor for seed delivery than other mills. The correction of this situation cut labor costs by about one-fourth. You may be interested in the operations of one of these cottonseed associations. This cooperative processed 705,000 tons of cottonseed during the past 5 years with an average net margin of $8 per ton. This has increased the income of the 10,000 cotton farmers who own this plant by $5,600,000, or by more than $1 million per year.

At the request of the Mississippi Extension Service and cooperatives in Mississippi we have determined present and long-time needs for additional grain-marketing facilities. Our survey showed that grain production has increased rapidly in the area and that existing cooperatives and farmer-controlled elevators can support a terminal. Another of our studies revealed a shortage of farmer grain storage in the main producing areas of North and South Carolina. As a result of our findings the association serving this region is taking steps to acquire grain storage essential to the long-run needs of its producer members.

We have analyzed the economic advantages that would result from the merger of two national farm supply organizations. A similar study was made for two regional supply associations serving Wisconsin farmers. Both studies show clearly that merger could provide more efficient and economical services to farmers.

In cooperation with the Forest Service, we are helping a group of pulpwood producers in West Virginia, Maryland, and Pennsylvania develop a cooperative for marketing their product. With our assistance this cooperative is now making a survey to determine how it can best serve its members.

Last year I reported to this committee on our study to help farm-supply cooperatives in the East-North-Central States improve their control over retail credit. We have extended this study to the West-North-Central and Pacific Northwest areas, where we are finding that credit control is an even more acute problem. These studies show that improvement in credit-control methods by farm-supply cooperatives as recommended from our work could conservatively increase farmer income by more than $2 million annually.

We have recently completed a study of inventory management by retail farm-supply cooperatives. Important savings would result from widespread adoption of our recommendations. Figure 1 shows wide variations in inventory turnover for four major farm-supply items within a group of 80 associations in a Midwestern State.

This figure shows the opportunity for better inventory management. Benefits from rapid turnover result from savings in capital, facilities, personnel, shrink, and obsolescence.

A study made at the request of a small, regional, farm-supply cooperative in the South indicated that its volume, finances, and membership were not adequate to justify building a fertilizer-mixing plant. An unwise investment in this plant might have resulted in the loss of several hundred thousand dollars and impairment of cooperative service. I mention this matter because, over the years, the Farmer Cooperative Service has saved farmers millions of dollars by advising them against unsound economic ventures. We have steadfastly opposed unwise promotion of cooperative organizations or expansions which cannot be justified by economic facts.

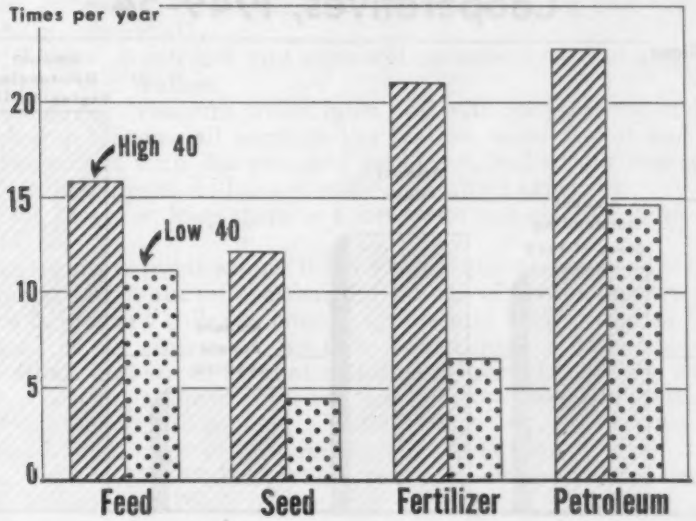
We have just completed our study of the use of the revolving-fund plan of financing farmer cooperatives, a method which is distinctly cooperative in that it provides capital from members in accordance with their individual use of an association's services. This study reveals how and to what extent cooperatives are using this unique financing procedure.

(The chart referred to is as follows:)

Figure 1

Variations in Inventory Turnover for Selected Farm Supplies

80 Cooperatives in a Midwest State, 1956



We found that 62 percent of the 1,157 associations included in our survey made use of the revolving-fund plan. Our study shows that cooperatives are placing increasing capital in revolving funds while they are also repaying substantial amounts. During the 5-year period 1950–54, these associations added $356 million to their revolving funds and repaid prior revolving-fund amounts totaling $159 million. These facts, as shown by figure 2, answer the allegation that revolving funds in farmer cooperatives do not revolve.

I believe you will be interested in our recent work to improve cooperative management. We are now studying ways to help regional cooperatives strengthen their boards of directors. We are also making a survey of management-training work by cooperatives. Staff members of the Service assisted in management clinics or workshops in 14 States, sponsored usually by State colleges, State cooperative councils, and banks for cooperatives during the past year.

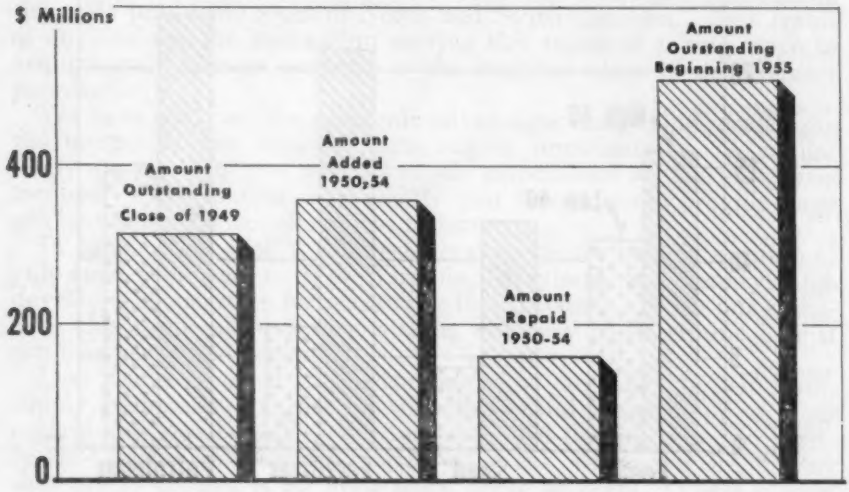
To meet current demands for information, we are taking steps to strengthen our statistical data on the extent and character of integration by dairy and petroleum cooperatives. This work will be expanded to cover other important commodity fields. Information of this type is essential to sound cooperative development.

We continue to work in close cooperation with the land-grant colleges and other Federal and State agencies. In many instances, requests for our services come to us at their suggestion. Much of our research work is carried on jointly with the land-grant colleges. To improve and better coordinate Federal and State research in farmer cooperation, we have cosponsored, with the American Institute of Cooperation, a national and 5 regional conferences which have been

(The chart referred to is as follows:)

Figure 2

How Capital Revolved in 717 Farmers' Cooperatives, 1949-54



1/ Based on data from 185 regional and 532 local associations

attended by 44 of the land-grant colleges. Our last meeting of this type was held at Pennsylvania State University in November. These conferences have stimulated land-grant-college interest in research and agricultural cooperation. For example, a number of State colleges in the Western States are now jointly developing a regional project dealing with the vertical-integration problems of agricultural cooperatives. We have been invited to participate in this project.

Our workload last year, including our marketing-research work carried on under advances from the Agricultural Marketing Service, is shown by the following data. We completed 82 studies, plus 10 marketing-research studies. We issued 32 new or revised publications, plus 12 marketing-research publications. Our total distribution of old or new publications was 183,000, of which 60,000 went to county agents and vocational teachers for educational use. Our staff members participated in 215 meetings on cooperative problems attended by representatives of 5,894 farmer cooperatives. We made 720 field contacts with cooperatives, 139 with land-grant colleges, and 45 with banks for cooperatives, in addition to 300 contacts with these organizations in our Washington office.

This completes my statement. I will be glad to answer any questions.

Mr. MARSHALL. Dr. Knapp, there is an article which will soon appear in the Farm Journal calling attention to the value of cooperatives in the process of integration, which gives, in my estimation, cooperative work a real boost, to try to help solve this problem that the farmers have in this regard. Have you seen that article?

Mr. KNAPP. I have seen the article. The editor has sent me a copy. I have been greatly impressed by the article because it indicates to me a realization of the situation.

TRAVEL EXPENSES

Mr. MARSHALL. The committee print shows that you expect to spend $42,500 for travel and the same amount for printing and reproduction. Could you indicate what these items cover and how they have been computed?

Mr. KNAPP. I will give you a general statement on that and then I will call on Mr. Walker.

An agency such as ours, which must deal with cooperatives and with agricultural agencies all through the Nation, must travel and must keep in contact with the practical problems, and so our representatives, our employees, do have considerable travel expenses.

We do, however, keep them to a minimum and combine trips as far as possible.

With regard to publications, it is very important from an educational standpoint to get out publications for the use of the cooperatives, and for the land-grant colleges, county agents and others, and as I have indicated in my statement, we have issued quite a large number of publications and we think that in terms of our performance and the use that is being made of these publications, our record is excellent.

Mr. MARSHALL. It seemed a little strange that these two items happened to hit right at the same amount of $42,500.

Mr. KNAPP. Mr. Walker, would you have an observation on that?

Mr. MARSHALL. What information did you use in arriving at this figure?

Mr. WALKER. The amount for travel was based on the actual experience for 1957, taking into consideration the increase in transportation costs.

Mr. MARSHALL. How much did you spend on that item in 1957?

Mr. WALKER. 1957 we spent $41,197. This is an increase of a little over $1,300 in travel. That was in 1957, but we have increased our staff slightly through filling some positions.

Mr. MARSHALL. What per diem rate did you use in arriving at that figure?

Mr. WALKER. Our per diem rate is $12 a day. Our travelers travel from Washington to, for the most part, large or medium-sized cities, to meetings in working with the cooperatives. We have some rural travel, too, to the small cooperatives and to farmers on occasion.

PRINTING AND REPRODUCTION

Mr. MARSHALL. How much did you spend for printing and reproduction last fiscal year?

Mr. WALKER. In 1957 we spent $50,804, but that included 1 publication that amounted to about $8,000 that we didn't estimate for 1958 and 1959.

ASSISTANCE TO MILK MARKETING COOPERATIVES

Mr. MARSHALL. Do you advise and assist milk marketing cooperatives in their operations. Dr. Knapp?

Mr. KNAPP. Yes. That is part of our responsibility.

Mr. MARSHALL. How many of those milk marketing cooperatives have you worked with this past year?

Mr. KNAPP. It would be difficult to give you the number offhand. I would like permission to insert that information in the record.

Mr. MARSHALL. Will you do that?

Mr. KNAPP. I could give you a rough figure, but I can supply a more exact one.

(The information to be supplied follows:)

In fiscal year 1957 we obtained data in our dairy marketing research studies from 582 dairy marketing associations, either by mail or in person. In our educational work we met with 600 dairy marketing associations in meetings or conferences. We rendered advisory service to 28 of these associations involving an analysis of one or more of their problems. While there is some duplication in these figures they show the nature and extent of our work with dairy cooperatives. We estimate that several hundred thousand milk producers were members of the associations thus directly served. Ninety-five percent of the 1,800 associations handling dairy products furnished us information for use in our annual statistical survey of farmer marketing and purchasing cooperatives. In addition, many of these dairy associations contributed data for general studies of cooperative organization and operation. Through our publications we extend the benefits of our work not only to cooperatives but in many instances throughout the dairy industry.

POLICIES OF MILK MARKETING COOPERATION

Mr. MARSHALL. Do you agree with their methods being used in conducting referenda, extending marketing areas and charging for furnishing marketing services to noncooperative members?

Mr. KNAPP. Mr. Chairman, it is a policy that hasn't come to my attention as a problem that we have been asked to consider. However, I am going to ask Mr. Samuels, if I may, who is Director of our Marketing Division. It may be he can give a little information on that question.

Mr. SAMUELS. I don't know, Dr. Knapp, what this refers to specifically.

Mr. KNAPP. Could we get information for you and give you some answer later?

Mr. MARSHALL. If you would prepare an answer and put it in the record in response to that, I would appreciate it.

Mr. SAMUELS. I would be glad to do that.

(The information requested is as follows:)

In the referendums conducted in connection with Federal marketing orders a producer's marketing cooperative is authorized by law to represent its members, this is consistent with the contract under which the member authorizes the association to market his product.

The designation of marketing areas and of subsequent changes in marketing areas under Federal milk marketing orders is made by the Secretary of Agriculture on the basis of evidence received in a public hearing. Cooperatives, handlers, or other interested parties have the right to appear. Under the law all producers delivering milk for the marketing area are entitled to vote.

The Federal milk marketing orders recognize that cooperatives provide certain services such as check testing, weighing, and market information essential to effective marketing. Where these services are not provided by a cooperative they are generally provided by the Market Administrator who makes a charge for such services. In such cases the Administrator may employ the cooperative to provide this service for noncooperative producers.

It is generally recognized that producer's cooperatives are essential to the effective operation of the Federal milk marketing orders. The methods employed by these cooperatives appear to be a reasonable way for them to represent their producer members under Federal orders.

Mr. MARSHALL. Have you had any expressions from cooperatives on the work you have done to help them? You might supply a few examples at this point for the record.

Mr. KNAPP. I will be glad to do so.

(The material requested is as follows:)

"The National Council of Farmer Cooperatives again commends the Farmer Cooperative Service of the United States Department of Agriculture for its material assistance to farmers and their cooperatives. * * *"—Resolution of the National Council of Farmer Cooperatives, adopted January 9, 1958.

"We commend the continuing high standard of research and educational activity conducted by the Farmer Cooperative Service. * * *"—Resolution of the National Milk Producers Federation, adopted November 7, 1957.

"* * * I commend you for the contribution your staff has made in providing leadership, in stimulating the more efficient operation of farmer business organizations, which to my mind offers the greatest hope for improved farmer economic conditions in the years ahead" (February 6, 1958).—J. K. Stern, president, American Institute of Cooperation.

"* * * The Farmer Cooperative Service has played * * * an important role in helping us develop a grower marketing program designed to meet modern competition needs. During the past year you have helped us find out what the textile manufacturers actually want through Hodde's study. There have been the management conference programs and the directors' workshop from which we can see excellent results already. When that is added to the organization study you made of our western associations and its relationship with the national I am sure you can understand how grateful we are for all that you have helped us do in serving our 85,000 members during this past year" (February 6, 1958).—James H. Lemmon, president, National Wool Marketing Corp., Boston, Mass.

"I am writing to reaffirm my hearty commendations to you, Ray, Ira, and others of your staff who assisted you in developing and activating recommendations of the Research Committee into a program of management guidance * * *" (letter to C. G. Randell, April 19, 1957).—F. G. Ketner, secretary-treasurer and general manager, Producers Livestock Association, Columbus, Ohio.

"I wish to personally thank you for your guidance and the great help which you and your staff contributed to the success of the meeting of bargaining associations held in Houston" (January 28, 1958).—C. J. Telford, manager, California Freestone Peach Association, Modesto, Calif.

"You have been a great help to us in our efforts to better serve the farmer in his complex current problems of distribution. * * * The directors have asked me to thank you for the excellent and constructive report you, Samuels, and Preston gave to our last meeting, and to express the very genuine appreciation of all of us" (February 3, 1958).—N. L. Allen, president, American National Foods, Inc., New York, N. Y.

"Thank you very much for the informative letter of June 27, giving us complete information on the various meat-processing units. This information is particularly helpful to us at the present time while we are preliminarily thinking about this subject" (July 1, 1957).—James Hill, Jr., manager, Pendleton Grain Growers, Inc., Pendleton, Oreg.

"I am in the process of reading 'Methods of Financing Farmer Cooperatives.' Congratulations to the staff members who prepared this most valuable study. I am sure we will all find it of utmost value in our understanding of our capital structure. It seems to me to spotlight the strong points and weaknesses of that structure and surely we can all gain by capitalizing on the one and strengthening the other" (August 6, 1957).—Homer L. Brinkley, executive vice president, National Council of Farmer Cooperatives, Washington, D. C.

"The Board of Directors of National Cooperatives were of the unanimous opinion that this report by Dr. Abrahamsen was one of the finest ever presented for consideration and have appointed me to express their appreciation for this excellent study. * * *" (August 7, 1957).—H. W. Culp, secretary, board of directors, National Cooperatives, Inc.

"I wish to compliment you and your colleagues on the splendid manner in which you have presented the data in your publication, 'Statistics of Farmer Cooperatives, 1954–55' * * * Those who work with these data are well aware of the many problems associated with presenting them in a complete and accurate form. * * * Your materials are very useful to me in my job of doing research and teaching in the area of farmer cooperatives" (letter to Miss Anne Gessner, November 27, 1957).—Milton L. Manuel, associate professor, Kansas State College, Manhattan, Kans.

Mr. MARSHALL. Mr. Natcher.

Mr. NATCHER. I want to join with our chairman in thanking these gentlemen for the fine statements they have made before the committee.

Mr. KNAPP. Could I say a word to Mr. Natcher in view of a question he raised a year ago with regard to a situation?

We have been working with the University of Kentucky on that problem and are preparing a report. That will be forthcoming. I think it will be of interest to you when it is completed.

Mr. NATCHER. Thank you, sir.

Mr. MARSHALL. Mr. Andersen?

Mr. ANDERSEN. The fact we have very few questions, Mr. Chairman, indicates to me we are pretty well satisfied with these gentlemen. I have no questions.

Mr. MARSHALL. Mr. Horan.

WORK WITH COOPERATIVES IN MINNESOTA

Mr. HORAN. I have been hearing for years about the need for something to be done to improve the price of eggs in Minnesota. I am happy to see that you have a program going on there. I just wondered if your are familiar with that work.

Mr. KNAPP. Well, not directly familiar, but I am generally familiar with the considerable amount of work we have been doing in that State working with the State department of agriculture and with the college in the State, yes. I could obtain more detailed information on Tyler, but I do know we are doing quite an amount of work up there.

Mr. HORAN. I am happy to see that. You realize the cooperative movement, as I understand, began in Denmark, when they got tired of the German butchers that came up and bought their flocks and gave them practically nothing. They were at the mercy of the butter market in England, so they got together and improved their status.

I assume that that lies in the background of every cooperative in the United States.

Mr. KNAPP. I have further information here given by Mr. Scanlan, Chief of our Poultry Branch, on work in Minnesota and contiguous areas.

Would you like some of that information?

Mr. ANDERSEN. I would like to have you send that to me if you would, Mr. Knapp.

Mr. MARSHALL. We thank you for your appearance before the committee. Do you have anything else?

Mr. PETERSON. We have nothing else, Mr. Chairman. We appreciate the consideration you have given to us.

Mr. MARSHALL. Did you have anything to add, Dr. Knapp?

Mr. KNAPP. No, sir. Thank you.

Mr. MARSHALL. The committee will stand adjourned.

TUESDAY, FEBRUARY 18, 1958.

FARMERS' HOME ADMINISTRATION

WITNESSES

KENNETH L. SCOTT, DIRECTOR, AGRICULTURAL CREDIT SERVICES
KERMIT H. HANSEN, ADMINISTRATOR, FARMERS' HOME ADMINISTRATION
HENRY C. SMITH, DEPUTY ADMINISTRATOR, FARMERS' HOME ADMINISTRATION
MALCOLM H. HOLLIDAY, JR., ASSISTANT ADMINISTRATOR (OPERATIONS), FARMERS' HOME ADMINISTRATION
DARREL A. DUNN, ASSISTANT ADMINISTRATOR (PROGRAM), FARMERS' HOME ADMINISTRATION
CHARLES C. BARNARD, DIRECTOR, BUDGET AND STATISTICS DIVISION, FARMERS' HOME ADMINISTRATION
CHARLES L. GRANT, DIRECTOR OF FINANCE AND BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

LOAN AUTHORIZATIONS

Program and financing

	1957 actual	1958 estimate	1959 estimate
Program by activities:			
1. Farm ownership loans	$46,307,836	$24,000,000	$175,000,000
2. Farm operating loans	179,999,994	180,000,000	
3. Soil and water conservation loans	5,499,815	5,500,000	
4. Farm housing loans	21,290,884	30,000,000	10,000,000
Total obligations	253,098,529	239,500,000	185,000,000
Financing:			
Unobligated balance brought forward	−1,332,148	−430,139,387	−400,139,387
Recovery of prior year obligations	−98,123		
Unobligated balance carried forward	430,139,387	400,139,387	390,139,387
Unobligated balance no longer available	3,692,355		
Authorization to expend from public debt receipts (new obligational authority)	685,500,000	209,500,000	175,000,000

Revenue, expense, and retained earnings

	1957 actual	1958 estimate	1959 estimate
For the fiscal year: Lending operations:			
Income:			
Interest on loans	$29,340,995	$31,763,000	$34,900,000
Other income	122,087	10,000	15,000
Total income	29,463,082	31,773,000	34,915,000
Expense:			
Interest on borrowings	4,437,410	6,200,000	6,800,000
Losses and writeoffs	15,971,444	15,245,000	12,750,000
Other expense	22,130		
Increase or decrease (−) in allowance for loans:			
Loans	−27,636	−49,844	−420,000
Interest and other	−268,549	−3,265,469	−1,351,750
Depreciation	16,463		
Total expense	20,151,262	18,129,687	17,778,250
Net income from lending operations	9,311,820	13,643,313	17,136,750
Administrative expenses (provided by annual appropriations)	28,807,245	29,089,500	29,089,500
Cumulative to end of fiscal year: Lending operations:			
Net results of prior year operations	121,576,201	130,888,021	144,531,334
Net income for year	9,311,820	13,643,313	17,136,750
Total lending operations	130,888,021	144,531,334	161,668,084
Administrative expenses (provided by annual appropriations):			
Prior year expense	260,922,601	289,729,846	318,819,346
For the year	28,807,245	29,089,500	29,089,500
Total	289,729,846	318,819,346	347,908,846

Financial condition

	1957 actual	1958 estimate	1959 estimate
Assets:			
Cash	$69,530,764	$19,133,747	$17,202,247
Interest on loans and accounts receivable, net	21,328,545	21,669,108	20,462,108
Other current assets	147,903	143,420	143,420
Total current assets	91,007,212	40,946,275	37,807,775
Loans receivable	710,565,766	775,795,766	760,544,766
Allowance for losses on loans receivable (−)	−84,018,844	−83,969,000	−83,549,000
Fixed property and equipment, net	140,220	140,220	140,220
Judgments and acquired security, net	1,482,374	1,378,280	1,226,030
Total assets	719,176,728	734,291,541	716,169,791
Liabilities: Current	3,605,548	3,845,048	3,958,548
Government investment:			
Borrowing from Treasury	253,204,710	254,734,710	219,648,710
Appropriation	433,924,076	463,013,576	492,103,076
Assets taken over from prior agencies, net	438,083,631	438,083,631	438,083,631
Results of lending operations, net	130,888,021	144,531,334	161,668,084
Administrative expenses (−)	−289,729,846	−318,819,346	−347,908,846
Deposit of general and special fund revenue (−)	−250,799,412	−251,097,412	−251,383,412
Total Government investment	715,571,180	730,446,493	712,211,243

Object classification

	1957 actual	1958 estimate	1959 estimate
16 Investments and loans	$253,098,529	$239,500,000	$185,000,000

Salaries and Expenses

Program and financing

	1957 actual	1958 estimate	1959 estimate
Program by activities:			
Administration of direct and insured loan programs (total obligations)	$28,063,463	$30,005,500	$30,035,500
Financing:			
Advances and reimbursements from other accounts	−445,000	−916,000	−946,000
Unobligated balance no longer available	16,537		
New obligational authority	27,635,000	29,089,500	29,089,500
New obligational authority:			
Appropriation	27,750,000	29,089,500	29,089,500
Transferred to "salaries and expenses," Forest Service (71 Stat. 180)	−115,000		
Appropriation (adjusted)	27,635,000	29,089,500	29,089,500

Object classification

	1957 actual	1958 estimate	1959 estimate
Total number of permanent positions	4,903	4,862	4,792
Full-time equivalent of all other positions	461	508	475
Average number of all employees	5,132	5,187	5,130
Number of employees at end of year	9,854	9,737	9,760
Average GS grade and salary	5.9 $4,708	6.0 $4,747	6.0 $4,770
01 Personal services:			
Permanent positions	$22,069,365	$22,362,800	$22,354,435
Positions other than permanent	761,478	779,100	734,100
Other personal services	168,728	197,400	188,400
Total personal services	22,999,571	23,339,300	23,276,935
02 Travel	2,849,232	3,019,100	2,988,465
03 Transportation of things	131,224	130,000	130,000
04 Communication services	593,035	570,000	594,000
05 Rents and utility services	773,173	860,000	915,000
06 Printing and reproduction	147,918	145,000	150,000
07 Other contractual services	214,146	235,000	228,000
Services performed by other agencies	43,398	44,000	44,000
08 Supplies and materials	131,506	135,000	141,500
09 Equipment	145,883	105,900	110,900
11 Grants, subsidies, and contributions		1,390,000	1,424,500
13 Refunds, awards, and indemnities		200	200
Awards for employee suggestions	24,036	20,000	20,000
15 Taxes and assessments	10,341	12,000	12,000
Total obligations	28,063,463	30,005,500	30,035,500

Mr. Whitten. The committee will come to order.

Gentlemen, we have with us today Mr. Kenneth L. Scott, Director of Agricultural Credit Services, and Mr. Kermit H. Hansen, Administrator, Farmers' Home Administration.

I would like to include pages 293 through 295, 299, 301 through 321 of justifications volume II in the record at this point.

(The justifications referred to are as follows:)

Purpose Statement

The Farmers' Home Administration, established on November 1, 1946, pursuant to the Farmers' Home Administration Act of 1946, approved August 14, 1946, conducts the following activities:

1. Makes direct and insured farm-ownership loans to farm tenants, farm laborers, sharecroppers, and other individuals, including farm owners, for the purchase, enlargement, or development of family-type or the development of less than family-type farms. Loans are also made for the refinancing of existing indebtedness. Direct loans at not to exceed 5 percent interest amortized over

40 years, are made in amounts up to the normal value of a farm as improved based on long-term earning-capacity values. Loans for the same purposes advanced by private lenders to eligible applicants are insured in amounts up to 90 percent of the normal value of the farm and necessary improvements for periods up to 40 years at not more than 4 percent interest, plus one-half of 1 percent as an insurance premium and one-half of 1 percent toward administrative expenses. The Administration services the insured loans, and remits payments to the lenders.

2. Makes farm-operating (production and subsistence) loans to farmers and stockmen for farm-operating expenses and for other farm needs, including the refinancing of indebtedness, and family subsistence. Loans are made up to $10,000 for 1 to 7 years at 5 percent interest with a limit of $20,000 on the total indebtedness and 10 years during which loans may be made to any farmer.

3. Makes direct and insured soil and water-conservation loans for the effective development and utilization of water supplies and for the improvement of farmland by soil- and water-conserving facilities and practices. Direct loans are made to farmers and associations for periods up to 20 years for individuals and 40 years for associations. Loans advanced by private lenders for the same periods of time and for the same purposes are insured. Interest rates on direct loans are administratively set the same as farm-ownership loans. On insured loans there is an additional one-half of 1 percent charge as an insurance premium and one-half of 1 percent as an administrative-expense charge.

4. Makes farm housing loans to farm owners for the construction, improvement, alteration, repair, or replacement of dwellings and other farm buildings for periods up to 33 years at 4 percent interest.

5. Makes emergency loans to farmers and stockmen in designated areas where a disaster has caused a need for agricultural credit not readily available from commercial banks, cooperative lending agencies, the Farmers' Home Administration's regular loan programs, or other responsible sources. Production-emergency and economic-emergency loans are made at 3 percent interest for periods consistent with the ability of the borrower to repay, usually for 1 year. Special loans to established livestock producers are made at 5 percent interest for periods not exceeding 3 years. After July 14, 1957, these loans may be made only to producers already indebted for this type of loan. Loans may also be made at 5 percent interest to bona fide fur farmers but only for supplemental credit to those already indebted for prior loans.

6. Makes watershed loans, on watershed projects to local organizations for installing, repairing, or improving works of improvement and water-storage facilities, purchasing sites or rights-of-way and for related costs. Loans are made for periods up to 50 years at an interest rate based on specified outstanding obligations of the Treasury. Total loans outstanding on any 1 watershed project may not exceed $5 million. Funds for these loans are appropriated under "Watershed protection, Soil Conservation Service."

Technical guidance in planning and carrying out sound farm operations is provided borrowers on the basis of their individual problems and needs. No loan is made to anyone who can secure adequate credit from other sources at reasonable rates. A local county committee of 3 (2 of whom must be farmers) is required to approve each applicant and each loan. In the case of real-estate loans, this committee certifies to the vaue of the farm.

On July 1, 1957, the Administration was servicing the accounts of about 251,000 individual borrowers with outstanding indebtedness of $1,072,300,000 principal and interest.

The Farmers' Home Administration maintains its central office in Washington with program activities decentralized to 43 State offices (a few of which service 2 or more States), about 1,550 county offices serving all agricultural counties, and a finance office in St. Louis, Mo. The Farmers' Home Administration on November 30, 1957, had 5,417 full-time and temporary employees, 192 of whom were in Washington, and the balance in the field, and 9,254 State and county committeemen who are part-time employees paid an average of 8 to 10 days a year.

	Estimated available, 1958	Budget estimate, 1959
Borrowing authorizations:		
Farm ownership	$24,000,000	$175,000,000
Farm operating (production and subsistence)	180,000,000	
Soil and water conservation	5,500,000	
Total loans	[1] 209,500,000	175,000,000
Appropriated funds: Salaries and expenses	29,089,500	29,089,500

[1] In addition, obligations for farm housing loans are estimated at $30,000,000 in the fiscal year 1958 and $10,000,000 in the fiscal year 1959 from the authorization of $450,000,000 provided in Public Law 1020, approved Aug. 7, 1956, for the period 1957–61.

Loan authorizations

Appropriation Act, 1958, and base for 1959	$209,500,000
Budget estimate, 1959	175,000,000
Decrease (in farm-ownership, soil- and water-conservation, and farm-operating loans)	−34,500,000

NOTE.—In addition, a decrease of $20,000,000 is estimated in obligations for farm housing loans. Estimated loans totaling $10,000,000 in 1959 will be financed from balances carried over from 1958 of the $450,000,000 authorization provided in Public Law 1020, 84th Cong.

Project statement (on an available-funds basis)

Project	1957	1958 (estimated)	Decrease	1959 (estimated)
Loan authorizations:				
1. Farm ownership loans	$46,307,836	$24,000,000	−$34,500,000	$175,000,000
2. Farm operating loans (production and subsistence)	179,999,994	180,000,000		
3. Soil and water conservation loans	5,499,815	5,500,000		
Subtotal	231,807,645	209,500,000	−34,500,000	175,000,000
4. Farm housing loans	21,290,884	30,000,000	−20,000,000	10,000,000
Total obligations	253,098,529	239,500,000	−54,500,000	185,000,000
Unobligated balance carried forward	430,139,387	400,139,387	−10,000,000	390,139,387
Unobligated balance no longer available	3,692,355			
Total available	686,930,271	639,639,387	−64,500,000	575,139,387
Unobligated balance brought forward	−1,332,148	−430,139,387	+30,000,000	−400,139,387
Recovery of prior-year obligations	−98,123			
Total authorization or estimate	[1] 685,500,000	209,500,000	−34,500,000	175,000,000

[1] Includes $450,000,000 authorized by Public Law 1020, approved Aug. 7, 1956.

Salaries and expenses

Appropriation act, 1958	$29,089,500
Transferred from farm tenant-mortgage insurance fund	916,000
Base for 1959	30,005,500
Budget estimate, 1959:	
Direct appropriation	29,089,500
Transferred from farm tenant-mortgage insurance fund	946,000
Total budget estimate	30,035,500
Increase (in transfer from the farm tenant-mortgage insurance administrative fund)	+30,000

Project statement

Project	1957	1958 (estimated)	Increase	1959 (estimated)
Administration of direct and insured loan programs	$28,063,463	$30,005,500	+$30,000	$30,035,500
Unobligated balance	16,537			
Total available or estimate	28,080,000	30,005,500	+30,000	30,035,500
Transfer from "Farm tenant-mortgage insurance fund"	−445,000	−916,000	−30,000	−946,000
Subtotal	27,635,000	29,089,500		29,089,500
Transferred to "Salaries and expenses, Forest Service"	+115,000			
Total appropriation or estimate	27,750,000	29,089,500		

Status of Program

DIRECT AND INSURED FARM OWNERSHIP LOANS

A total of $50 million was authorized in 1957 for farm ownership loans. Of the total amount authorized, $4 million was allocated exclusively for loans on reclamation projects and to entrymen on unpatented public lands. The remaining portion, $46 million, was made available among the States and Territories in accordance with the statutory formula for the distribution of funds based on farm population and prevalence of tenancy. Included in the total borrowing authorization was an authorization of $26 million contained in the Third Supplemental Appropriation Act, 1957, approved June 21, 1957. A total of $46,307,836 was obligated for the year. Many loans developed earlier in the year for obligation from the anticipated supplemental funds were not finally approved because of uncertainty and the need for the loan in relationship to the 1957 crop year.

The appropriation act of 1958 provides for borrowing $24 million from the Secretary of the Treasury for direct farm ownership loans. Of this amount, not more than $2,500,000 is authorized to be distributed to States and Territories without regard to farm population and prevalence of tenancy for loans on reclamation projects and to entrymen on unpatented public land. The preliminary allocation for the two purposes is $21,500,000 under the formula and $2,500,000 outside the formula. The latter amount is a specific reduction, contained in the 1958 appropriation act, in the authorization for loans on reclamation projects and to entrymen on unpatented public lands from the previous annual authorization of $5 million.

1. Use of loan funds

Public Law 878, approved August 1, 1956, amended title I of the Bankhead-Jones Farm Tenant Act in several major respects.

(1) The amendments included authority, until June 30, 1959, to make or insure loans primarily or exclusively for the refinancing of existing indebtedness of the applicant whether secured or unsecured. The act provides that not to exceed $50 million in insured loans may be committed in any one fiscal year. The total amount committed against this ceiling in 1957 was $9,652,877. This amount includes all insured loans specifically identified as "primarily for refinancing" plus the refinancing of chattel and unsecured indebtedness included in loans primarily for other purposes. In addition, a total of $9,714,191 of direct loan funds were used for loans "primarily for refinancing" and for the refinancing of chattel and unsecured indebtedness included in other loans. The statute does not limit the amount of direct loans primarily for refinancing.

(2) Loans were first authorized on less than family-type farm units to owner-operators who are bona fide farmers who historically resided on farms and depended on farm income for their livelihood. Total direct and insured loans for this purpose during the year were $9,504,743.

During 1957, initial loans for development and enlargement of farms continued to exceed loans for the purchase of farms. This distribution undoubtedly will continue in 1958. It is expected that a relatively large proportion of the total loans will be primarily for refinancing.

The following tabulation shows the number and amount of loans on family-type farms and on less than family type farms made during 1957 and estimated for 1958:

INITIAL LOANS ON FAMILY-TYPE FARMS

Fiscal year	Direct		Insured		Total	
	Number	Amount	Number	Amount	Number	Amount
1957	2,597	$37,964,759	1,777	$24,585,109	4,374	$62,549,778
1958 (estimate)	1,340	19,790,000	1,040	14,420,000	1,380	34,210,000
INITIAL LOANS ON LESS THAN FAMILY-TYPE FARMS						
1957	599	$5,220,090	520	$4,187,315	1,119	$9,407,405
1958 (estimate)	245	2,300,000	340	2,740,000	585	4,940,000
TOTAL FAMILY-TYPE AND LESS THAN FAMILY-TYPE FARMS						
1957:						
Initial	3,196	$43,184,849	2,297	$28,772,334	5,493	$71,957,183
Subsequent	506	3,122,987	155	999,196	661	4,122,183
Total	3,702	46,307,836	2,452	29,771,550	6,154	76,079,366
1958 (estimate):						
Initial	1,585	21,990,000	1,380	17,160,000	2,965	39,150,000
Subsequent	285	2,010,000	70	340,000	355	2,350,000
Total	1,870	24,000,000	1,450	17,500,000	3,320	41,500,000

2. Applications

A total of 34,839 applications for farm-ownership loans were received in 1957. At the end of the year, 17,267 applications were on hand. About 60 percent of the applications on hand were from individuals who appeared to qualify only for direct loans because of a 90 percent limitation on insured loans. During 1958 the same policy will be followed with respect to veterans' preference as in 1957. Veterans will continue to receive preference as set forth in the statute, but State offices will not be required to hold up loanmaking entirely at times during the year anticipating veteran applications and the development of veteran loan dockets.

3. Loans

(*a*) *Direct loans.*—Since inception of the program in 1938 to June 30, 1957, approximately 68,062 loans for more than $502,516,949 have been made. This number and amount does not include noncash loans previously made in the liquidation of rural rehabilitation project properties which are also included as farm-ownership loans on the loan accounts of the Administration. In the 1957 fiscal year, initial loans were made to 3,196 families in the amount of $43,184,849, including 186 loans in the amount of $3,139,815 made to settlers on reclamation projects. Subsequent loans to existing borrowers and loan cost items accounted for the balance of $3,122,987.

Direct initial loan activity under the distribution formula and for reclamation projects is shown on the following tables:

INITIAL LOANS UNDER DISTRIBUTION FORMULA

Fiscal year	Initial veteran loans		Percent loans to veterans (number)	Total all initial loans	
	Number	Amount		Number	Amount
1947	3,012	$23,549,776	55	5,489	$41,682,243
1948	1,448	10,524,445	79	1,829	13,422,448
1949	1,460	10,827,510	78	1,867	13,739,182
1950	1,685	13,374,443	99	1,705	13,534,927
1951	1,734	15,661,003	97	1,793	16,160,877
1952	1,344	13,853,283	98	1,369	14,045,461
1953	1,251	13,668,515	98	1,275	13,865,989
1954	1,274	13,886,375	98	1,305	14,154,715
1955	1,281	14,458,706	98	1,301	14,624,996
1956	1,122	14,507,320	95	1,187	15,250,630
1957	1,715	24,243,857	57	3,010	40,045,034

INITIAL LOANS ON RECLAMATION PROJECTS

1951	150	$1,692,142	67	223	$2,556,722
1952	104	1,367,884	64	163	2,117,654
1953	102	1,562,084	71	144	2,167,504
1954	150	2,344,645	76	197	3,060,375
1955	116	1,882,821	76	153	2,422,176
1956	86	1,442,430	86	100	1,650,445
1957	150	2,567,105	81	186	3,139,815

(*b*) *Insured loans.*—During 1957 insured loan activity totaled $29,771,530 not including $862,694 used to refinance existing insured indebtedness when a subsequent loan was being made. It was necessary to put forth intensive effort to secure private lenders for the volume of loans insured during the year. Because of the changing interest-rate picture, many lenders heretofore participating have withdrawn. Insured farm-ownership loans in 1958 are estimated to total $17,500,000 compared to $29,771,530 in 1957.

Insured initial loan activity since 1948 through 1957 is shown in the following table:

Fiscal year	Initial veteran loans		Percent loans to veterans (number)	Total all initial loans	
	Number	Amount		Number	Amount
1948	58	$357,550	17	338	$2,412,837
1949	316	2,020,910	28	1,149	7,937,241
1950	695	4,917,886	32	2,191	16,579,690
1951	641	4,871,340	30	2,150	17,555,650
1952	238	2,031,770	22	1,097	10,380,285
1953	280	2,837,292	27	1,041	10,505,566
1954	216	2,469,462	24	885	9,648,978
1955	891	10,001,289	31	2,865	31,337,097
1956	850	10,353,234	27	3,101	36,469,005
1957	594	7,690,891	26	2,297	28,772,334

See tables I, II, III, and IV for loan distribution by States.

Total direct and insured initial and subsequent farm ownership loans

Fiscal year	Direct loans	Insured loans	Total loans	Fiscal year	Direct loans	Insured loans	Total loans
1948	$14,053,888	$2,412,837	$16,466,725	1953	$18,871,453	$10,681,721	$29,553,174
1949	14,755,530	7,937,241	22,692,771	1954	19,296,484	9,751,541	29,048,025
1950	14,790,348	16,586,860	31,377,208	1955	18,879,019	31,595,629	50,474,648
1951	21,721,296	17,596,050	39,317,346	1956	18,857,747	37,780,733	56,638,480
1952	18,830,327	10,493,008	29,323,335	1957	46,307,836	29,771,530	76,079,366

4. Loan repayments

(*a*) *Direct loans.*—From the inception of the farm-ownership program in 1938 through March 31, 1957, a total of 73,149 families had been advanced $506,883,792 (these amounts include noncash loans previously made in the liquidation of rural rehabilitation projects properties which are also included as farm-ownership loans on the loan accounts of the administration, and other noncash loans resulting from the sale to approved applicants of properties received through liquidation of other loans) for the purchase, enlargement and development of farms including the refinancing of existing indebtedness. Principal payments of $295,056,046 and interest payments of $90,945,883 had been made. In addition, principal writeoffs totaled $1,999,162 and judgments were $440,545. As of March 31, 1957, cumulative scheduled installments of $81,629,418 were due from 30,537 individuals with outstanding loan balances, but regular principal and interest payments made on these installments were $86,447,290 which was 6 percent, or $4,817,872 more than required on a schedule amortization basis. An additional $9,286,589 in refunds and extra payments not applied to scheduled installments were credited to these borrowers' accounts. On the same date, 16,422 borrowers were $9,663,421 ahead of schedule, an average of $588 each; 8,021 were on schedule; and 6,094 were behind schedule $4,845,549, an average of $795. A total of 42,612 of the 73,149 families who had received loans had paid their loans in full as of March 31, 1957. Of this number 26,229, or about 62 percent, continued to operate the farms acquired or improved through this program. The remaining 16,383 fully satisfied their accounts but no longer operated the farms.

See table V for distribution by States.

(*b*) *Insured loans.*—As of March 31, 1957, $160,798,843 had been advanced under the insured mortgage program to 16,030 farm families for the purchase, enlargement and development of farms including the refinancing of existing indebtedness. Payments by insured mortgage borrowers totaled $42,905,080 as of the same date. Of this amount, $25,070,249 represented principal payments, $13,234,988 payments on interest, and $4,599,843 payments to the mortgage insurance fund. As of March 31, 1957, 1,956 borrowers had paid their loans in full. Of those with unpaid balances, 6,490 were ahead of schedule, 5,842 were on schedule, and 1,742 were behind schedule.

See table VI for distribution by States.

5. Progress of borrowers

Records from 2,629 borrowers with accounts outstanding in 1957 who received loans in 1951 showed gross cash income increasing since the year before acceptance from $4,363 to $7,342. Net worth of these borrowers increased from $7,765 to $10,491, and value of livestock and equipment increased from $5,091 to $6,742.

TABLE I.—*Farm ownership initial loans: Total initial loan applications and number of initial direct and insured loans, 1956 and 1957 fiscal years and cumulative from inception of program*

State and Territory	1956 fiscal year					1957 fiscal year						Direct loans made 1938 through 1957 fiscal years		Insured commitments 1948 through 1957 fiscal years	
	Number of loan applications			Number of direct loans made	Number of insured commitments	Number of loan applications				Number of direct loans made	Number of insured commitments				
	On hand beginning of year	Received during year	Total for consideration			On hand beginning of year	Received during year	Total for consideration	On hand end of period			Number	Average amount [1]	Number	Average amount [1]
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
United States total	18,218	28,884	47,102	1,287	3,101	13,471	34,839	48,310	17,267	3,196	2,297	68,062	$7,356	17,114	$10,203
Alabama	958	1,435	2,393	72	135	633	1,398	2,031	693	154	75	4,361	5,553	567	7,511
Arizona	47	74	121	0	5	19	46	65	10	8	9	121	13,006	39	17,391
Arkansas	482	985	1,467	27	75	207	1,306	1,513	295	109	91	3,463	5,298	428	6,185
California	78	233	311	15	33	40	418	458	80	44	5	515	11,047	89	13,879
Colorado	164	274	438	3	18	143	457	600	208	25	27	446	11,327	218	12,806
Connecticut	4	12	16	0	1	3	23	26	8	5	0	46	9,698	11	10,488
Delaware	9	19	28	1	3	14	23	37	22	1	0	87	7,208	12	10,274
Florida	220	445	665	10	80	184	473	657	169	32	71	627	6,717	262	9,205
Georgia	1,399	1,826	3,225	66	115	888	1,892	2,780	1,218	219	64	5,367	5,338	868	8,252
Idaho	296	366	662	67	58	190	697	887	349	111	23	938	12,167	219	12,089
Illinois	251	409	660	40	53	191	568	759	213	91	27	1,159	10,012	209	11,684
Indiana	756	502	1,258	17	36	503	655	1,158	389	67	41	1,014	10,131	314	14,004
Iowa	623	581	1,204	29	59	428	803	1,231	502	74	34	1,466	10,777	512	13,538
Kansas	549	718	1,267	22	68	406	791	1,197	419	71	49	1,320	10,272	557	12,130
Kentucky	437	735	1,172	42	49	365	1,020	1,385	599	80	39	1,337	8,543	249	11,448
Louisiana	514	556	1,070	38	67	305	609	914	436	120	33	1,976	6,687	330	8,224
Maine	104	360	464	5	109	104	294	398	95	17	43	224	7,829	357	8,522
Maryland	59	109	168	6	10	55	167	222	96	18	8	365	8,375	86	9,663
Massachusetts	12	43	55	4	1	16	47	63	10	7	1	100	8,986	15	10,393
Michigan	215	552	767	14	108	198	565	763	212	36	68	971	7,310	581	11,421
Minnesota	434	910	1,344	42	44	366	1,301	1,667	388	64	85	2,529	6,366	546	8,610
Mississippi	1,247	1,900	3,147	126	239	868	2,035	2,903	978	264	141	4,854	6,341	926	6,351
Missouri	1,098	1,872	2,970	76	146	818	2,440	3,258	1,268	174	138	3,101	7,440	1,211	9,304
Montana	147	202	349	10	30	98	458	556	182	24	36	451	8,949	148	12,951
Nebraska	410	464	874	23	21	415	597	1,012	435	40	59	1,015	11,285	268	12,489
Nevada	7	34	41	2	0	3	37	40	5	1	2	50	12,032	9	13,081
New Hampshire	39	41	80	3	6	24	52	76	21	6	0	59	8,734	17	10,243
New Jersey	11	127	138	6	26	19	250	269	54	14	29	276	10,122	147	10,820
New Mexico	85	133	218	4	26	48	244	292	41	7	55	278	11,945	189	15,057
New York	145	379	524	11	47	99	535	634	208	40	11	746	7,099	254	8,510
North Carolina	1,233	1,942	3,175	88	200	1,050	1,862	2,912	937	166	72	3,936	6,101	832	8,588
North Dakota	690	1,159	1,849	22	169	732	1,811	2,543	1,224	72	245	838	9,931	889	14,722

Ohio	365	513	878	26	20	193	725	918	303	65	24	1,220	8,911	237	10,694
Oklahoma	525	919	1,444	28	87	501	1,196	1,697	550	77	127	3,276	6,784	535	10,619
Oregon	39	177	216	13	32	27	243	270	95	34	6	549	9,009	133	12,297
Pennsylvania	309	630	939	29	76	176	726	902	294	65	48	1,055	7,177	486	8,717
Rhode Island	1	10	11	0	0	1	6	7	0	0	0	5	8,514	0	0
South Carolina	401	551	952	31	60	214	565	779	274	85	28	2,712	5,321	375	7,542
South Dakota	463	506	969	21	66	344	694	1,038	498	51	47	807	10,350	382	14,002
Tennessee	875	1,313	2,188	60	187	512	1,294	1,806	793	168	82	2,448	6,767	552	8,693
Texas	670	1,280	1,950	55	135	594	1,276	1,870	759	141	46	5,221	8,550	704	10,762
Utah	196	242	438	16	42	105	327	432	168	30	18	415	11,364	109	13,352
Vermont	49	156	205	8	9	32	138	170	35	7	5	194	7,591	41	8,696
Virginia	242	568	810	18	40	204	693	897	277	46	44	1,214	7,047	289	11,223
Washington	208	492	700	29	58	160	651	811	302	75	23	736	12,561	262	12,953
West Virginia	139	427	566	9	38	121	471	592	134	13	54	701	6,146	204	9,223
Wisconsin	455	1,076	1,531	38	148	294	1,220	1,514	489	121	90	1,996	6,369	1,230	9,582
Wyoming	26	107	133	4	19	37	250	287	73	22	40	345	10,460	83	16,708
Alaska	7	22	29	2	2	2	14	16	2	5	0	17	16,559	2	17,068
Hawaii	101	148	249	9	34	96	123	219	119	29	10	297	7,628	96	11,070
Puerto Rico	383	331	714	0	11	387	338	725	310	1	24	803	5,625	35	8,636
Virgin Islands	41	19	60	0	0	39	15	54	28	0	0	15	10,451	0	0

[1] Average amount of initial and subsequent loans.

NOTE.—This table includes tenant purchase, farm enlargment, farm development, and building improvement loans and loans primarily for refinancing purposes from Federal unds and such loans advanced by private lenders which are insured by the Government.

TABLE II.—*Farm ownership initial loans: Initial loan applications from veterans only, number of initial direct and insured loans and average amount, 1956 and 1957 fiscal years and cumulative from 1945*

State and Territory	1956 fiscal year							1957 fiscal year								Direct loans made 1945 through 1957 fiscal years		Insured commitments 1948 through 1957 fiscal years	
	Number of loan applications			Direct loans made		Insured commitments		Number of loan applications				Direct loans made		Insured commitments					
	On hand beginning of year	Received during year	Total for consideration	Number	Average amount	Number	Average amount	On hand beginning of year	Received during year	Total for consideration	On hand end of period	Number	Average amount	Number	Average amount	Number	Average amount [1]	Number	Average amount [1]
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
United States total	9,616	14,431	24,047	1,208	$13,203	850	$12,180	6,713	15,146	21,859	7,743	1,865	$14,376	594	$12,948	20,162	$10,203	4,779	$10,136
Alabama	501	712	1,213	65	9,596	46	8,044	305	623	928	291	72	10,707	14	6,755	974	8,200	161	7,395
Arizona	27	41	68	0	0	2	20,800	9	18	27	3	7	12,729	4	15,657	78	14,798	17	19,122
Arkansas	256	495	751	22	8,923	12	6,888	121	582	703	151	60	8,621	29	6,211	971	6,467	99	5,788
California	45	103	148	11	15,717	15	14,475	20	163	183	27	21	15,843	1	11,650	166	12,827	30	14,432
Colorado	107	149	256	3	12,450	4	17,962	77	212	289	101	13	16,614	5	20,776	156	13,500	51	12,480
Connecticut	1	4	5	0	0	0	0	0	11	11	4	2	11,025	0	0	21	10,614	1	9,625
Delaware	2	6	8	0	0	0	0	5	9	14	9	1	8,000	0	0	26	9,320	1	5,100
Florida	139	258	397	10	10,950	33	9,137	89	216	305	84	30	10,282	15	10,708	293	8,934	112	8,996
Georgia	650	780	1,430	57	12,644	18	9,659	381	708	1,089	486	87	11,412	21	8,017	1,011	8,486	283	7,410
Idaho	153	215	368	67	16,587	13	13,426	100	391	491	178	101	18,108	7	14,689	627	13,942	49	12,704
Illinois	160	209	369	38	13,427	18	13,243	99	258	357	92	37	13,639	12	14,408	274	11,457	50	12,345
Indiana	421	277	698	15	16,097	7	21,333	258	325	583	207	36	18,981	11	18,363	284	12,568	53	14,878
Iowa	325	286	611	29	18,087	14	19,182	217	379	596	239	41	21,034	13	19,833	437	14,426	102	15,467
Kansas	283	376	659	22	17,284	21	20,827	211	337	548	207	40	17,258	4	16,220	490	12,260	98	13,459
Kentucky	256	430	686	41	14,894	9	11,414	198	532	730	320	43	15,458	15	15,407	318	12,083	54	11,679
Louisiana	256	281	537	33	10,314	13	9,935	142	259	401	205	51	10,190	9	6,408	425	8,946	94	8,029
Maine	53	175	228	5	10,385	42	9,902	51	121	172	32	15	11,009	6	13,867	170	8,253	155	8,565
Maryland	28	45	73	4	13,350	2	18,000	16	55	71	20	6	14,930	1	22,500	138	9,763	11	9,841
Massachusetts	8	23	31	4	8,488	0	0	8	18	26	3	4	10,575	0	0	63	9,736	5	11,056
Michigan	95	256	351	14	15,100	40	15,001	89	237	326	84	23	14,400	20	17,168	269	11,167	220	11,523
Minnesota	228	461	689	42	10,863	12	10,408	181	601	782	165	49	13,147	19	9,546	835	8,669	123	8,766
Mississippi	614	869	1,483	108	9,189	58	6,480	391	787	1,178	381	114	9,163	48	6,912	1,371	7,873	314	6,050
Missouri	636	1,074	1,710	76	14,965	48	14,702	453	1,352	1,805	672	125	14,008	44	12,779	1,263	9,560	338	9,768
Montana	83	102	185	10	15,510	9	17,068	51	185	236	81	19	16,085	10	12,790	174	12,877	40	14,040
Nebraska	259	267	526	23	15,830	6	13,767	250	249	499	241	30	18,316	12	11,695	337	13,779	54	12,341
Nevada	5	13	18	2	14,100	0	0	2	13	15	1	0	0	2	12,238	35	11,940	4	12,719
New Hampshire	20	17	37	2	11,000	0	0	9	17	26	7	2	16,500	0	0	30	10,488	1	8,745
New Jersey	3	44	47	6	15,883	7	12,413	9	65	74	11	8	12,795	2	15,900	198	10,680	43	11,133
New Mexico	45	66	111	3	17,945	12	13,374	29	95	124	19	6	18,617	14	22,889	167	13,405	65	15,736

New York	67	159	226	11	9,866	7	8,512	44	217	261	83	29	11,195	1	6,390	337	8,258	71	8,157
North Carolina	678	995	1,673	84	13,049	52	9,212	533	767	1,300	434	89	13,577	16	11,105	1,046	9,175	226	7,729
North Dakota	281	470	751	22	16,591	50	15,951	248	589	837	408	72	18,871	51	19,062	351	13,852	240	15,491
Ohio	205	279	484	26	12,793	4	13,910	107	339	446	141	39	16,308	3	15,887	354	10,900	53	9,389
Oklahoma	246	439	685	27	13,821	21	11,625	239	525	764	248	36	15,551	35	11,032	866	9,234	127	10,354
Oregon	18	79	97	9	16,009	7	15,312	17	97	114	37	20	16,586	1	20,000	166	13,858	21	12,679
Pennsylvania	146	302	448	29	12,546	15	9,993	73	314	387	116	47	13,065	8	15,462	435	8,500	148	8,223
Rhode Island	1	8	9	0	0	0	0	1	4	5	0	0	0	0	0	1	10,900	0	0
South Carolina	216	255	471	27	11,471	9	7,833	101	221	322	129	40	11,342	11	9,345	484	8,321	90	6,951
South Dakota	263	293	556	21	16,338	32	19,067	191	302	493	234	41	19,548	15	18,843	288	14,604	132	15,030
Tennessee	445	607	1,052	59	11,235	41	8,603	244	515	759	328	77	12,246	21	11,284	612	9,233	108	8,558
Texas	370	693	1,063	55	14,324	41	12,922	347	622	969	398	73	16,405	9	17,017	1,344	11,252	242	10,707
Utah	120	120	240	16	15,353	11	14,170	52	119	171	60	26	16,763	3	15,975	324	12,269	32	12,934
Vermont	25	76	101	8	11,001	0	0	13	66	79	17	2	10,900	0	0	115	8,417	1	6,460
Virginia	131	315	446	18	15,770	14	11,550	121	287	408	129	37	16,824	13	16,234	269	11,607	104	11,386
Washington	118	289	407	23	16,849	17	13,836	93	303	396	141	56	17,677	7	14,914	392	15,302	76	13,198
West Virginia	72	224	296	9	12,736	9	9,205	55	232	287	61	11	10,839	22	10,190	221	8,698	60	8,626
Wisconsin	189	458	647	38	13,317	43	12,630	121	518	639	221	88	15,725	24	11,875	557	10,442	369	9,412
Wyoming	18	67	85	3	16,083	11	15,149	26	119	145	38	20	16,502	11	19,702	211	12,900	29	16,447
Alaska	5	12	17	2	19,300	0	0	1	5	6	1	4	16,812	0	0	16	16,406	0	0
Hawaii	37	38	75	9	12,871	2	12,338	31	36	67	34	14	14,949	0	0	63	11,648	14	10,028
Puerto Rico	291	210	501	0	0	3	8,783	266	126	392	152	1	13,410	5	10,374	105	8,372	8	9,778
Virgin Islands	15	9	24	0	0	0	0	18	5	23	12	0	0	0	0	4	9,074	0	0

[1] Average amount of initial and subsequent loans.

NOTE: This table includes tenant purchase, farm enlargement, farm development, and building improvement loans and loans primarily for refinancing purposes from Federal funds and such loans advanced by private lenders which are insured by the Government.

TABLE III.—*Farm ownership direct loans: Use of funds—Number of direct loan borrowers, amount loaned, including estimated amount furnished by the borrower, 1957 fiscal year*

State and Territory	Loans to new borrowers											Number of loans to indebted borrowers	Amount of loans to indebted borrowers and loan costs [1]	Total amount of loans
	Number	Amount of funds			Average amount of loan	Use of funds								
		Loans	Furnished by borrower	Total		Purchase of farm and incidental costs	Land improvement	Buildings other than dwellings	Dwellings, new and repair	Refinancing				
										Real estate	Chattels and unsecured			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10	(11)	(12)	(13)	(14)
United States total:														
Percent distribution				100		46. 7	4. 9	6. 2	9. 6	28. 5	4. 1			
Amount	3, 196	$43, 184, 849	$1, 915, 633	$45, 100, 482	$13, 512	$21, 056, 071	$2, 201, 834	$2, 815, 551	$4, 341, 240	$12, 834, 247	$1, 851, 539	506	$3, 122, 987	$46, 307, 836
Alabama	154	1, 578, 595	88, 627	1, 667, 222	10, 251	843, 240	36, 742	51, 805	216, 715	480, 110	38, 610	30	122, 764	1, 701, 359
Arizona	8	101, 940	5, 670	107, 610	12, 742	45, 090	32, 240	750	6, 110	22, 830	590	3	20, 634	122, 574
Arkansas	109	918, 115	77, 360	995, 475	8, 423	370, 203	24, 650	31, 730	71, 055	460, 307	37, 520	23	75, 055	993, 170
California	44	721, 020	30, 712	751, 732	16, 387	143, 854	95, 718	72, 684	31, 645	354, 321	53, 510	2	34, 574	755, 594
Colorado	25	452, 185	17, 150	469, 335	18, 087	201, 426	15, 760	12, 245	3, 210	204, 320	32, 374	4	31, 355	483, 540
Connecticut	5	35, 500	100	35, 600	7, 100	900	2, 050	2, 115	0	19, 371	11, 164	0	0	35, 500
Delaware	1	8, 000	0	8, 000	8, 000	100	0	1, 500	2, 000	2, 550	1, 850	0	0	8, 000
Florida	32	331, 015	16, 766	347, 781	10, 344	150, 735	13, 190	11, 899	21, 903	131, 892	18, 162	9	34, 322	365, 337
Georgia	219	2, 562, 735	79, 540	2, 642, 275	11, 702	819, 109	150, 875	124, 425	348, 075	1, 021, 134	178, 657	31	202, 739	2, 765, 474
Idaho	111	1, 996, 490	53, 118	2, 049, 608	17, 986	260, 775	266, 473	349, 785	952, 985	158, 965	60, 625	15	112, 116	2, 108, 606
Illinois	91	1, 308, 720	135, 654	1, 444, 374	14, 382	686, 763	115, 360	81, 628	47, 869	426, 785	85, 969	2	12, 132	1, 320, 852
Indiana	67	1, 288, 125	48, 809	1, 336, 934	19, 226	492, 113	52, 542	80, 630	40, 414	566, 405	104, 830	2	21, 031	1, 309, 156
Iowa	74	1, 450, 495	119, 660	1, 570, 155	19, 601	982, 367	53, 058	69, 093	58, 126	363, 522	43, 989	9	67, 407	1, 517, 902
Kansas	71	1, 229, 295	57, 256	1, 286, 551	17, 314	576, 496	61, 963	55, 673	32, 318	461, 292	98, 809	23	238, 042	1, 467, 337
Kentucky	80	1, 172, 945	50, 334	1, 223, 279	14, 662	657, 652	66, 623	91, 884	69, 083	321, 794	16, 243	6	44, 704	1, 217, 649
Louisiana	120	1, 073, 600	39, 960	1, 113, 560	8, 947	301, 782	99, 040	44, 668	178, 521	452, 823	36, 726	25	117, 438	1, 191, 038
Maine	17	196, 635	12, 500	209, 135	11, 567	114, 799	0	37, 005	7, 820	38, 671	10, 840	1	22, 169	218, 804
Maryland	18	237, 150	17, 011	254, 161	13, 175	151, 856	5, 329	11, 047	16, 674	49, 238	20, 017	1	8, 774	245, 924
Massachusetts	7	72, 650	1, 175	73, 825	10, 379	555	3, 660	4, 800	300	52, 545	11, 965	0	397	73, 047
Michigan	36	550, 720	8, 671	559, 391	15, 298	297, 286	12, 595	54, 917	8, 722	150, 745	35, 126	4	17, 139	567, 859
Minnesota	64	812, 855	50, 226	863, 081	12, 701	556, 205	7, 549	94, 138	28, 832	161, 032	15, 325	12	49, 773	862, 628
Mississippi	264	2, 300, 880	73, 286	2, 374, 166	8, 715	1, 140, 574	130, 523	90, 215	392. 119	556, 126	64, 609	54	230, 573	2, 531, 453
Missouri	174	2, 314, 020	131, 355	2, 445, 375	13, 299	1, 377, 923	120, 835	138, 532	117, 388	614, 622	64, 609	34	220, 233	2, 534, 253
Montana	24	372, 725	12, 387	385, 112	15, 530	153, 497	8, 850	3, 000	40, 720	162, 597	76, 075	1	14, 370	387, 095
Nebraska	40	710, 495	45, 298	755, 793	17, 762	468, 681	27, 390	22, 154	24, 433	173, 729	16, 448	10	78, 936	789, 431
Nevada	1	19, 200	0	19, 200	19, 200	18, 200	714	0	286	0	39, 406	0	1, 428	20, 628
New Hampshire	6	76, 060	0	76, 060	12, 677	19, 005	1, 700	16, 370	1, 050	19, 435	0	4	39, 355	115, 415
New Jersey	14	173, 680	13, 070	186, 750	12, 456	48, 301	0	9, 992	200	86, 624	18, 500	2	30, 683	204, 363

New Mexico	7	129,500	2,531	132,031	18,500	50,285	2,052	1,870	1,200	76,624	0	3	10,838	140,338
New York	40	452,755	14,186	466,941	11,319	182,536	7,260	45,359	9,391	196,275	26,120	3	24,690	477,445
North Carolina	166	2,216,635	95,585	2,312,220	13,353	1,099,293	117,832	155,142	221,704	672,126	46,123	21	91,849	2,308,484
North Dakota	72	1,358,710	44,405	1,403,115	18,871	978,755	11,350	110,985	157,080	120,915	24,030	4	27,974	1,386,684
Ohio	65	1,031,925	74,521	1,106,446	15,876	712,034	22,977	54,720	23,481	253,925	39,309	4	39,266	1,071,191
Oklahoma	77	1,071,205	32,565	1,103,770	13,912	709,409	16,680	47,174	60,596	189,883	80,028	23	210,497	1,281,702
Oregon	34	512,550	16,242	528,792	15,075	102,506	20,240	20,349	22,753	315,633	47,311	3	24,184	536,734
Pennsylvania	65	829,500	21,495	850,995	12,762	385,846	37,555	79,647	29,033	261,364	57,550	8	51,199	880,699
Rhode Island	0	0	0	0	0	0	0	0	0	0	0	0	148	148
South Carolina	85	869,210	19,437	888,647	10,226	337,402	18,820	23,931	82,178	350,720	75,596	6	50,078	919,288
South Dakota	51	982,870	26,680	1,009,550	19,272	709,462	5,244	63,323	67,872	158,612	5,037	10	117,821	1,100,691
Tennessee	168	2,028,632	68,744	2,097,376	12,075	1,082,390	96,455	115,300	215,335	537,128	50,748	12	48,303	2,076,935
Texas	141	2,087,985	88,933	2,176,918	14,808	1,194,431	68,227	85,683	225,983	583,394	19,200	34	162,233	2,250,218
Utah	30	489,980	7,130	497,110	16,333	201,306	15,050	17,660	54,665	161,540	46,889	8	48,494	538,474
Vermont	7	96,565	0	96,565	13,795	46,380	7,000	13,910	4,840	22,470	1,965	3	13,739	110,304
Virginia	46	765,927	27,560	793,487	16,651	440,095	44,962	56,397	40,248	170,560	41,219	11	68,230	834,157
Washington	75	1,306,825	25,105	1,331,930	17,424	189,478	185,176	115,618	211,097	564,183	66,378	19	129,551	1,436,376
West Virginia	13	150,125	8,020	158,145	11,548	116,020	12,915	6,050	8,480	14,680	0	1	9,462	159,587
Wisconsin	121	1,861,745	57,675	1,919,420	15,386	1,128,484	43,225	163,580	58,860	490,852	34,419	7	48,737	1,910,482
Wyoming	22	360,355	23,822	384,177	16,380	208,946	13,760	27,221	30,803	86,302	17,145	6	44,828	405,184
Alaska	5	86,250	5,004	91,254	17,250	800	31,600	15,400	6,520	36,930	0	0	228	86,478
Hawaii	29	416,345	69,298	485,643	14,357	287,116	17,425	31,348	90,518	56,338	2,900	2	11,700	428,045
Puerto Rico	1	13,410	1,000	14,410	13,410	13,610	600	200	0	0	0	11	40,673	54,083
Virgin Islands	0	0	0	0	0	0	0	0	0	0	0	0	121	121

[1] Loan costs represent the amounts advanced to borrowers for such purposes as the payment of taxes, insurance premiums, etc. Loan costs appear opposite some States reporting no number of loans.

TABLE IV.—*Farm ownership insured loans: Use of funds—Number of insured loan borrowers, amount loaned, including estimated amount furnished by the borrower, 1957 fiscal year*

State and Territory	Loans to new borrowers											Loans to indebted borrowers		Total amount of loans
	Number	Amount of funds			Average amount of loan	Use of funds						Number	Amount	
		Loans	Furnished by borrower	Total		Purchase of farm and incidental costs	Land improvement	Buildings other than dwellings	Dwellings, new and repair	Refinancing				
										Real estate	Chattels and unsecured			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
United States total:														
Percent distribution				100		39.5	3.8	6.6	6.2	35.2	8.7			
Amount	2,297	$28,772,334	$1,748,918	$30,521,252	$12,526	$12,047,102	$1,163,101	$2,015,410	$1,904,214	$10,736,115	$2,655,310	155	$999,196	$29,771,530
Alabama	75	585,440	26,457	611,897	7,806	233,678	11,360	32,337	61,268	236,808	36,446	5	21,685	607,125
Arizona	9	171,309	980	172,289	19,034	14,504	38,415	3,200	8,000	95,273	12,897	1	11,871	183,180
Arkansas	91	546,245	8,821	555,066	6,003	73,768	33,760	19,960	32,735	322,428	72,415	5	12,865	559,110
California	5	74,950	600	75,550	14,990	20,555	3,100	27,400	4,050	20,445	0	0	0	74,950
Colorado	27	484,725	20,655	505,380	17,953	150,640	19,812	7,085	15,500	221,904	90,439	1	10,100	494,825
Connecticut	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Delaware	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Florida	71	657,195	22,393	679,588	9,256	172,323	39,215	35,025	88,662	304,172	40,191	3	6,568	663,763
Georgia	64	571,605	45,690	617,295	8,931	188,489	45,140	40,588	57,465	252,937	32,676	3	21,430	593,035
Idaho	23	364,895	14,800	379,695	15,865	129,610	30,120	20,460	24,840	148,915	25,750	1	7,100	371,995
Illinois	27	388,635	11,425	400,060	14,394	114,116	18,660	20,721	7,889	176,139	62,535	2	8,530	397,165
Indiana	41	793,980	48,955	842,935	19,365	353,561	22,958	39,157	11,529	345,576	70,154	7	57,628	850,608
Iowa	34	622,905	39,265	662,170	18,321	200,076	29,142	33,405	13,370	332,260	53,917	3	35,210	658,115
Kansas	49	713,470	36,463	749,933	14,561	254,752	18,805	25,204	16,925	251,178	183,069	4	52,650	766,120
Kentucky	39	526,460	43,023	569,483	13,499	153,296	29,683	45,151	24,670	290,635	26,048	1	5,270	531,730
Louisiana	33	222,415	3,035	225,450	6,740	42,025	16,998	17,095	23,547	116,937	8,848	4	19,830	242,245
Maine	43	460,299	21,328	481,627	10,705	173,565	800	102,479	11,750	167,448	25,585	4	15,891	476,190
Maryland	8	108,850	10,115	118,965	13,606	51,461	0	14,320	3,510	44,453	5,221	0	0	108,850
Massachusetts	1	10,865	0	10,865	10,865	90	755	1,510	50	8,460	0	0	0	10,865
Michigan	68	1,007,845	54,423	1,062,268	14,821	289,169	39,746	123,653	41,245	476,171	112,284	6	42,691	1,050,536
Minnesota	85	891,024	65,841	956,865	10,483	446,068	8,175	90,464	31,204	316,472	64,482	5	15,466	906,490
Mississippi	141	900,683	30,311	930,994	6,388	238,328	76,796	83,230	131,245	348,859	52,535	10	44,337	945,020
Missouri	138	1,686,900	154,517	1,841,417	12,224	989,320	88,719	77,803	75,068	528,318	82,189	19	147,320	1,834,220
Montana	36	471,730	51,483	523,213	13,104	199,310	10,047	2,980	13,740	195,105	102,031	0	0	471,730
Nebraska	59	781,530	37,720	819,250	13,246	219,452	47,738	15,681	13,406	234,820	288,153	3	15,100	796,630
Nevada	2	24,475	0	24,475	12,238	15,780	0	575	820	3,120	4,210	0	0	24,475
New Hampshire	0	0	0	0	0	0	0	0	0	0	0	2	5,160	5,160
New Jersey	29	291,055	14,258	305,313	10,036	47,925	1,400	32,600	1,975	165,710	55,703	0	0	291,055

New Mexico	55	1,012,390	43,829	1,056,219	18,407	321,411	53,099	23,122	59,056	542,334	57,197	3	15,305	1,027,695
New York	11	116,635	15,080	131,715	10,603	78,420	6,095	8,956	3,944	26,486	7,814	1	5,400	122,035
North Carilina	72	829,130	21,130	850,260	11,516	234,352	50,105	61,267	78,330	390,265	35,941	7	29,850	858,980
North Dakota	245	4,335,150	268,320	4,603,470	17,694	2,469,144	49,241	369,048	455,472	1,023,139	237,426	12	117,390	4,452,540
Ohio	24	386,900	58,655	445,555	16,121	317,325	8,125	14,825	3,002	88,248	14,030	3	9,300	396,200
Oklahoma	127	1,330,002	57,026	1,387,028	10,472	560,301	33,440	59,418	85,705	436,682	211,482	10	62,583	1,392,585
Oregon	6	105,350	0	105,350	17,558	815	9,865	2,910	7,400	75,295	9,065	0	0	105,350
Pennsylvania	48	594,365	38,383	632,748	12,383	232,759	39,130	72,531	23,491	231,250	33,587	2	8,545	602,910
Rhode Island	0	0	0	0	0	0	0	0	0	0	0	0	0	0
South Carolina	28	252,340	4,505	256,845	9,012	43,605	2,900	7,320	21,715	152,025	29,280	1	3,250	255,590
South Dakota	47	795,751	58,795	854,546	16,931	447,094	11,137	47,027	41,046	216,361	91,881	3	34,933	830,684
Tennessee	82	825,155	32,000	858,155	10,075	289,022	51,355	70,863	98,490	316,448	31,977	3	19,720	845,875
Texas	46	669,190	22,350	691,540	14,548	304,900	39,988	35,267	43,413	235,282	32,690	1	4,735	673,925
Utah	18	261,040	11,770	272,810	14,502	79,140	12,725	2,375	2,250	160,750	15,570	2	24,940	285,980
Vermont	5	56,370	0	56,370	11,274	405	4,330	13,525	2,610	35,500	0	0	0	56,370
Virginia	44	641,031	42,397	683,428	14,569	260,425	49,461	53,749	50,889	226,197	42,707	7	43,498	684,529
Washington	23	323,130	2,020	325,150	14,049	96,785	18,750	35,137	14,000	131,689	28,789	4	19,940	343,070
West Virginia	54	604,665	47,509	652,174	11,198	238,924	36,719	61,987	20,803	240,406	53,335	1	3,090	607,755
Wisconsin	90	1,139,260	158,850	1,298,110	12,658	932,170	22,855	97,610	25,937	198,539	20,879	3	18,020	1,157,280
Wyoming	40	790,285	29,700	819,985	19,757	268,605	11,686	23,509	24,835	310,862	180,488	3	22,995	813,280
Alaska	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hawaii	10	131,850	73,228	205,078	13,185	114,499	2,750	32,326	55,503	0	0	0	0	131,850
Puerto Rico	24	211,860	813	212,673	8,828	5,170	18,000	10,555	71,860	93,694	13,394	0	0	211,860
Virgin Islands	0	0	0	0	0	0	0	0	0	0	0	0	0	0

TABLE V.—*Farm ownership: Direct loans—Number of borrowers, amount loaned and payments, cumulative through Mar. 31 1957*

State and territory	Total number of borrowers	Total amount loaned	Borrowers paid in full				Borrowers with unpaid balance as of Mar. 31, 1957					
				Payments					Principal and interest payments			
			Number	Principal	Interest	Principal writeoffs and judgments [1]	Number	Scheduled installments (principal and interest)	Total	Regular and advance payments made on scheduled installments		Extra payments and refunds
										Amount	As percent of schedule	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
United States total	73,149	$506,883,792	42,612	$246,006,333	$44,261,717	$2,439,707	30,537	$81,629,418	$95,733,879	$86,447,290	106	$9,286,589
Alabama	5,033	25,880,471	3,123	13,237,325	2,409,721	53,154	1,910	3,978,310	4,937,929	4,224,374	106	713,555
Arizona	140	1,867,735	67	769,422	140,008	13,134	73	209,447	227,747	205,991	98	21,756
Arkansas	4,305	21,415,182	2,534	10,779,512	2,110,845	423,939	1,771	3,971,959	4,571,234	4,096,182	103	475,052
California	508	5,395,285	307	2,872,854	509,481	9,938	201	609,116	696,897	635,398	104	61,499
Colorado	555	5,511,464	365	3,097,200	493,107	9,042	190	746,546	735,637	635,141	88	80,496
Connecticut	43	433,643	21	188,818	28,224	11,792	22	106,293	112,377	100,897	95	11,480
Delaware	89	646,417	57	358,717	64,380	8,220	32	87,056	115,554	85,531	98	30,023
Florida	758	4,710,635	436	2,137,935	371,388	29,488	322	699,621	833,020	666,999	95	166,021
Georgia	5,803	28,720,369	3,863	15,731,466	2,987,626	96,298	1,940	4,207,436	5,418,166	4,241,643	101	1,176,523
Idaho	906	10,375,620	273	2,191,24.	405,084	10,604	633	1,422,674	1,394,810	1,335,269	89	59,541
Illinois	1,134	11,100,519	680	6,212,511	1,132,744	7,344	454	1,513,884	1,821,927	1,725,759	114	96,168
Indiana	1,021	9,737,719	597	5,084,056	848,634	14,218	424	1,604,144	2,019,079	1,933,195	121	85,884
Iowa	1,434	15,108,443	856	7,768,876	1,374,331	5,680	578	2,066,792	2,338,505	2,290,246	111	48,259
Kansas	1,318	13,026,761	719	6,214,206	1,084,936	62,907	599	2,184,182	2,489,551	2,366,516	108	123,035
Kentucky	1,379	11,353,037	925	6,524,841	1,087,806	19,392	454	1,305,717	1,612,397	1,546,418	118	65,979
Louisiana	2,439	14,713,835	1,260	6,648,846	1,365,821	60,041	1,179	3,012,754	3,669,466	3,330,800	111	338,666
Maine	251	1,793,871	95	478,063	80,519	39,107	156	385,570	427,488	397,166	103	30,322
Maryland	355	2,920,606	192	1,435,710	272,706	5,919	163	481,309	659,487	491,486	102	168,001
Massachusetts	99	894,750	44	358,020	55,534	12,373	55	186,998	220,689	161,658	86	59,031
Michigan	987	6,947,577	601	3,389,759	625,471	34,262	386	1,288,873	1,543,547	1,388,684	108	154,863
Minnesota	2,682	16,747,140	1,606	8,805,735	1,510,038	58,235	1,076	2,576,546	3,021,020	2,878,832	112	142,188
Mississippi	5,717	34,523,746	2,491	11,693,636	2,596,740	340,719	3,226	7,475,831	8,555,171	7,720,561	103	834,610
Missouri	3,214	22,617,252	1,732	10,132,614	1,819,368	38,912	1,482	3,878,068	4,370,811	4,190,004	108	180,807
Montana	673	5,149,312	392	2,545,250	480,573	30,689	281	953,701	1,066,732	982,133	103	84,599
Nebraska	1,000	11,085,419	618	6,155,897	947,834	23,969	382	1,362,374	1,470,529	1,439,303	106	31,226
Nevada	53	618,911	16	150,645	29,054	9,953	37	123,464	145,089	115,408	93	29,681
New Hampshire	62	511,496	22	117,039	23,337	7,948	40	88,816	81,519	67,595	76	13,924
New Jersey	273	2,731,883	127	1,102,530	197,031	12,874	146	516,582	590,322	520,231	101	70,091

New Mexico	315	3,502,149	159	1,417,942	230,685	23,956	156	557,430	528,963	516,588	93	12,375
New York	812	5,473,352	455	2,694,202	486,769	94,550	357	978,431	1,212,696	974,663	100	238,033
North Carolina	4,256	24,583,649	2,779	12,895,332	2,151,834	13,710	1,477	3,113,550	3,831,351	3,336,329	107	495,022
North Dakota	883	7,961,704	512	3,613,801	524,312	37,851	371	1,220,685	1,304,195	1,234,507	101	69,688
Ohio	1,261	10,718,371	778	5,908,012	1,010,697	73,363	483	1,621,045	1,974,397	1,835,847	113	138,550
Oklahoma	3,367	22,334,024	2,165	12,327,420	2,139,988	111,634	1,202	3,818,789	4,618,384	4,228,500	111	389,884
Oregon	611	5,281,050	357	2,130,997	348,077	23,956	254	790,729	820,705	763,347	97	57,358
Pennsylvania	1,052	7,252,302	599	3,654,508	699,372	54,251	453	1,109,597	1,320,359	1,189,055	107	131,304
Rhode Island	5	42,072	3	21,197	4,793	0	2	4,776	5,324	5,174	108	150
South Carolina	2,998	15,268,365	1,788	7,791,713	1,472,298	40,148	1,210	2,767,952	3,486,743	2,851,470	103	635,273
South Dakota	806	7,845,200	482	3,739,514	578,554	11,299	324	1,038,278	1,064,988	1,025,752	99	39,236
Tennessee	2,441	15,827,756	1,436	7,927,563	1,423,557	42,618	1,005	2,440,508	2,923,310	2,690,614	110	232,696
Texas	5,411	44,594,883	3,507	26,157,253	4,573,895	83,344	1,904	7,024,326	8,417,263	7,828,770	111	588,493
Utah	406	4,557,009	119	1,026,070	243,224	31,044	287	958,213	987,263	908,190	95	79,073
Vermont	190	1,430,587	104	598,454	110,150	71,248	86	199,304	240,078	200,995	101	39,083
Virginia	1,237	8,306,831	777	4,171,658	720,776	2,987	460	1,302,910	1,548,673	1,327,179	102	221,494
Washington	726	8,678,866	276	2,163,554	377,047	39,098	450	1,069,221	1,088,618	968,639	91	119,979
West Virginia	701	4,290,309	361	1,776,112	343,552	53,062	340	763,162	964,648	830,046	109	134,602
Wisconsin	1,944	11,649,500	1,204	5,522,525	892,142	47,312	740	1,750,375	2,098,936	1,996,114	114	102,822
Wyoming	333	3,526,444	132	1,083,989	191,557	22,560	201	610,571	573,418	531,055	87	42,363
Alaska	15	254,560	1	16,428	3,260	0	14	27,689	24,270	23,199	84	1,071
Hawaii	291	2,114,112	183	1,054,302	187,756	17,476	108	282,261	313,662	294,308	104	19,354
Puerto Rico	842	4,694,830	413	2,120,713	493,362	94,089	429	1,051,579	1,221,185	1,075,779	102	145,406
Virgin Islands	15	156,769	3	10,350	1,719	0	12	13,974	17,750	17,750	127	0

[1] Principal writeoffs total $1,999,162 and judgments $440,545.

NOTE.—Includes noncash advances on sale of rural rehabilitation project farm. Paidup borrowers include those paid through repossession, debt settlement, etc.

TABLE VI.—*Farm ownership: Insured loans—Number of borrowers, amount loaned and payments cumulative through Mar. 31, 1957*

State and Territory	Total number of borrowers	Total amount loaned	Borrowers paid in full					Borrowers with unpaid balance as of Mar. 31, 1957					
				Payments						Principal and interest payments			
					Interest						Regular and advance payments made on scheduled installments		Extra payments and refunds
			Number	Principal [1]	Total	On amount loaned by private lenders	Insurance and interest payments to fund	Number	Scheduled installments (principal and interest)	Total	Amount	As percent of schedule	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
United States total	16,030	$160,798,843	1,956	$15,542,387	$2,545,908	$1,831,362	$714,546	14,074	$22,042,779	$24,816,785	$23,212,505	105	$1,604,280
Alabama	541	4,062,619	44	257,637	36,369	26,052	10,317	497	515,927	622,169	564,913	109	57,256
Arizona	33	553,691	3	40,150	5,668	4,052	1,616	30	55,667	53,545	52,080	94	1,465
Arkansas	404	2,526,014	75	397,567	48,950	35,171	13,779	329	308,106	356,008	323,444	105	32,564
California	88	1,235,064	8	97,688	14,366	10,301	4,065	80	136,255	137,334	125,000	92	12,334
Colorado	199	2,461,495	30	293,716	43,849	31,255	12,594	169	465,295	445,140	405,440	87	39,700
Connecticut	12	125,206	2	21,901	3,463	2,553	910	10	14,256	15,893	13,817	97	2,076
Delaware	12	123,290	2	12,300	971	640	331	10	14,775	17,390	15,390	104	2,000
Florida	234	2,195,485	20	160,433	24,379	17,646	6,733	214	191,722	224,080	196,969	103	27,111
Georgia	853	7,029,444	139	833,529	128,837	91,705	37,132	714	948,348	1,117,895	960,061	101	157,834
Idaho	211	2,529,520	24	222,559	37,925	27,763	10,162	187	309,950	311,009	296,924	96	14,085
Illinois	193	1,[illegible],914	20	145,149	22,128	15,842	6,286	173	284,342	319,104	309,220	109	9,884
Indiana	294	4,366,464	49	499,174	81,410	58,389	23,021	245	591,743	700,779	649,386	110	51,393
Iowa	496	1,631,580	65	647,076	104,056	76,336	27,720	431	1,035,475	1,133,764	1,103,400	107	30,364
Kansas	526	6,386,200	88	855,882	145,684	104,566	41,118	438	1,036,119	1,132,714	1,077,741	104	54,973
Kentucky	222	2,523,384	18	178,019	29,773	20,968	8,805	204	316,004	400,185	384,502	122	15,683
Louisiana	311	2,602,037	34	243,848	33,910	24,423	9,487	277	358,738	428,340	398,568	111	29,772
Maine	345	2,921,270	23	217,465	34,834	24,525	10,309	322	281,978	324,200	292,472	104	31,728
Maryland	84	809,087	16	129,503	23,035	16,416	6,619	68	115,435	145,761	135,499	117	10,262
Massachusetts	15	157,449	3	28,622	3,772	2,727	1,045	12	27,642	32,028	30,171	109	1,857
Michigan	564	6,403,162	49	458,982	86,451	62,384	24,067	515	894,828	1,029,652	945,563	106	84,089
Minnesota	509	4,300,483	89	712,540	125,936	91,183	34,753	420	828,730	926,185	877,718	106	48,467
Mississippi	871	5,481,831	71	385,793	56,904	40,533	16,371	800	667,407	768,914	714,488	107	54,426
Missouri	1,164	11,692,355	147	1,028,336	189,522	136,596	52,926	1,017	1,522,593	1,685,570	1,612,628	106	72,942
Montana	121	1,586,667	16	181,613	27,823	20,042	7,781	105	227,409	240,918	216,746	95	24,172
Nebraska	231	2,866,349	37	411,468	78,588	57,120	21,468	194	494,889	499,552	483,002	98	16,550
Nevada	9	117,725	1	12,600	1,337	949	388	8	9,493	11,040	9,620	101	1,420
New Hampshire	17	179,361	5	53,514	8,141	5,785	2,356	12	14,774	17,389	10,850	73	6,539
New Jersey	133	1,456,556	25	262,398	40,557	29,007	11,550	108	187,978	225,578	198,613	106	26,965

New Mexico	153	2,109,504	8	101,105	19,390	13,752	5,638	145	218,420	235,410	214,747	98	20,663
New York	248	2,115,483	27	186,862	32,580	23,322	9,258	221	303,528	311,401	281,291	93	30,110
North Carolina	783	6,559,157	130	781,758	119,474	85,016	34,458	653	789,258	962,741	874,371	111	88,370
North Dakota	764	10,978,544	40	469,923	88,556	62,966	25,590	724	1,122,342	1,221,630	1,150,590	103	71,040
Ohio	228	2,375,356	51	410,228	72,582	52,235	20,347	177	364,318	407,843	386,882	106	20,961
Oklahoma	470	5,069,022	61	498,509	77,037	55,016	22,021	409	662,117	731,136	700,263	106	30,873
Oregon	127	1,557,058	11	108,563	16,645	12,393	4,252	116	245,322	250,077	240,743	98	9,334
Pennsylvania	464	3,990,107	80	551,585	91,888	66,680	25,208	384	541,734	621,735	564,370	104	57,365
Rhode Island	0	0	0	0	0	0	0	0	0	0	0	0	0
South Carolina	359	2,673,122	38	228,185	34,483	24,795	9,688	321	406,423	482,320	427,460	105	54,860
South Dakota	353	4,880,004	37	411,239	76,928	55,462	21,466	316	733,276	680,008	664,433	91	15,575
Tennessee	548	4,735,987	33	238,318	37,310	26,905	10,405	515	490,250	582,359	539,942	110	42,417
Texas	669	7,092,533	111	966,133	139,979	101,630	38,349	558	1,205,701	1,395,234	1,338,805	111	56,429
Utah	97	1,290,924	5	62,510	9,984	7,356	2,628	92	138,617	144,099	140,389	101	3,710
Vermont	40	359,943	2	21,249	2,930	2,053	877	38	42,782	51,625	47,576	111	4,049
Virginia	261	2,842,070	30	255,257	38,766	27,561	11,205	231	358,301	428,296	374,582	105	53,714
Washington	256	3,253,804	16	164,265	33,996	24,524	9,472	240	402,086	411,901	400,389	100	11,512
West Virginia	173	1,513,580	14	85,987	14,430	10,192	4,238	159	154,498	177,248	167,647	109	9,601
Wisconsin	1,182	11,223,856	145	1,090,018	182,655	131,976	50,679	1,037	1,828,551	2,196,375	2,103,608	115	92,767
Wyoming	52	739,683	4	44,318	5,068	3,413	1,655	48	71,322	74,502	72,993	102	1,509
Alaska	2	34,135	0	0	0	0	0	2	1,367	1,757	1,757	129	0
Hawaii	93	1,023,124	9	67,913	12,431	9,075	3,356	84	103,243	123,481	112,134	109	11,347
Puerto Rico	16	138,145	1	9,000	158	111	47	15	3,445	3,471	3,308	96	163
Virgin Islands	0	0	0	0	0	0	0	0	0	0	0	0	0

[1] Includes principal writeoffs in the amount of $95,760 and principal judgments in the amount of $15,039.

NOTE.—This table covers loans advanced by private lenders which are insured by the Government. In addition to amount insured, this table covers small amounts advanced from the farm tenant-mortgage insurance fund, including principal and interest repayments on these advances, for such purposes as the payment of taxes, insurance premiums, etc.

FARM OPERATING LOANS

1. Loans.—The annual Appropriation Act for 1958 provides for borrowing $180 million from the Secretary of the Treasury for operating loans. This is the same amount as that authorized in the 1957 fiscal year which included $165 million and an additional contingency borrowing authorization of $15 million. The contingency provision was stricken in the 1958 Appropriation Act.

These loans were formerly known as production and subsistence loans. The name was changed at the time title II of the Bankhead-Jones Farm Tenant Act was amended by Public Law 878, approved August 1, 1956. This law also made other extensive changes in the existing authorities, including: (1) The authority to make loans on less than family-type farms to operators who are bona fide farmers and who have historically resided on farms and depended on farm income for their livelihood; (2) the previous limitation of $7,000 on the amount of an initial loan was increased to $10,000 and the $10,000 limit on the total principal and interest indebtedness of a borrower was eliminated in favor of a total limit of $20,000 on the principal indebtedness of a borrower; (3) the amended act provides that not to exceed 10 percent of the annual appropriation for loans can be obligated for making loans to borrowers which would cause the principal indebtedness of an individual borrower to exceed $10,000 up to the $20,000 principal indebtedness limit. The act was amended to extend from 7 to 10 years, in justifiable cases, the period during which additional loan assistance may be extended to an individual borrower. This added 3-year period can only be extended in cases where the inability of the borrower to repay his indebtedness in the initial 7-year period was due to causes beyond his control.

1. Production and subsistence loans: The following table show the numbers of production and subsistence loans in each category from fiscal year 1949 through 1956 made prior to the changes in existing authority provided by Public Law 878, 84th Congress, 2d sess., under title II of the Bankhead-Jones Farm Tenant Act, as amended:

Fiscal year	Number, initial loans made			Number, subsequent adjustment loans	Number, total, all loans	Total available for operating loans
	Adjustment	Annual	Total			
1949	37,935	25,621	63,556	37,049	100,605	$75,000,000
1950	40,622	8,772	49,394	41,773	91,167	85,000,000
1951	34,311	11,633	45,944	44,230	90,174	103,000,000
1952	23,649	855	24,504	34,361	58,865	110,000,000
1953	23,618	408	24,026	34,413	58,439	120,000,000
1954	26,898	7,237	34,135	39,031	73,166	140,000,000
1955	21,279	1,684	22,963	41,667	64,630	122,500,000
1956	21,089	4,214	25,303	47,175	72,478	137,500,000

See table I for distribution by States.

2. *Use of farm operating funds.*—The major portion of the operating loan funds in 1957 was used to assist farmers in making basic adjustments in their farming operations. An analysis of initial loans indicates that about 20.8 percent of the loan funds was used for the purchase of productive livestock, 17.5 percent for the purchase of workstock, machinery, and equipment, 29.7 percent for the refinancing of existing debts secured by livestock and equipment, and 26.2 percent for current farm operating expenses. The other 5.8 percent was used for pasture and other minor land development, fencing, family-living expenses, and other minor items of expense. There was a considerable increase in 1957 over 1956 in the amount of funds used for refinancing existing indebtedness. The percentage increase over 1956 was 35 percent representing 22 percent of total advances in 1956 used for these purposes compared to 30 percent of total advances used in 1957 for these purposes.

An aggregate total of $4,151,646 was loaned to individuals in excess of the normal $10,000 principal indebtedness limitation, but within the permitted $20,000 principal indebtedness limitation. This compares to the total statutory authorization of $18,000,000 which might have been used for this purpose and which represents 10 percent of the annual funds available for farm operating loans.

The following table shows the number and amount of loans on family-type farms and on less-than-family-type farms in 1957 and estimated for 1958:

	Family-type farms		Less-than-family-type farms		Total	
	Number	Amount	Number	Amount	Number	Amount
1957:						
Initial loans	24,942	$95,869,595	3,003	$4,323,570	27,945	$100,193,165
Subsequent loans	54,142	79,653,434	211	153,395	54,353	79,806,829
Total	79,084	175,523,029	3,214	4,476,965	82,298	179,999,994
1958 (estimated):						
Initial loans	26,040	99,080,000	4,510	6,500,000	30,550	105,580,000
Subsequent loans	50,190	73,620,000	800	800,000	50,990	74,420,000
Total	76,230	172,700,000	5,310	7,300,000	81,540	180,000,000

3. *1958 program.*—No major changes in the 1958 program are anticipated over 1957. There was a need for very substantial utilization of funds for subsequent loans to indebted borrowers during the fiscal year 1957. Special attention is being given to this problem in 1958 with a view to reducing the amount of total funds used for subsequent loan purposes. This will be done through encouraging borrowers to repay their loans in full whenever this is consistent with their financial situation as well as to encourage indebted borrowers to secure supplemental financing from other sources. Success along this line will create additional funds for use in assisting new applicants.

4. *Collections.*—The following is a summary of the cumulative and current collection activity on operating loans:

A. The following is a resume of the loan disbursements and repayments during the last 11 years. It is noted that the total repayments of $1,217,524,513 are only $4,816,128 less than the total disbursements for the period.

Fiscal year	Loan disbursements	Principal repayments	Interest payments	Total payments
1947	$89,738,190	$119,784,295	$14,299,621	$134,083,916
1948	59,912,114	101,453,618	12,769,753	114,223,371
1949	74,957,211	78,279,960	11,282,124	89,562,084
1950	84,912,479	68,004,734	9,702,196	77,706,930
1951	102,933,890	83,307,468	10,926,796	94,234,264
1952	109,958,601	90,566,068	11,066,894	101,632,962
1953	119,929,065	82,244,283	11,222,228	93,466,511
1954	139,999,150	89,336,288	11,957,498	101,293,786
1955	122,499,948	111,865,317	13,634,061	125,499,378
1956	137,499,999	121,394,172	14,519,472	135,913,644
1957	179,999,994	135,546,643	14,361,024	149,907,667
Total	1,222,340,641	1,081,782,846	135,741,667	1,217,524,513

B. Cumulative loan advances and collections of comparable type operating loans made by the Farm Security Administration, the Emergency Crop and Feed Loan Division, of the Farm Credit Administration, and the Farmers' Home Administration follow:

	Loan advances	Principal repayments	Interest payments	Total payments	Principal repayments to maturities	Total collection to advances
					Percent	*Percent*
Rural rehabilitation loans from June 1935 to Oct. 31, 1946	$1,004,901,875	$890,570,885	$124,963,055	$1,015,533,940	88.6	101.1
Emergency crop and feed loans from 1918 to Oct. 31, 1946	575,934,022	476,804,056	59,511,806	536,315,862	82.8	93.1
Production and subsistence loans from Nov. 1, 1946, to June 30, 1957	1,193,791,748	826,250,908	82,131,711	908,382,619	93.5	76.1

See table III for distribution by States.

5. *Progress of borrowers.*—A summary of reports from 13,634 active borrowers receiving supervisory and year-end analysis assistance, who repaid their operating loans during the 1957 fiscal year and continued to farm, showed an average increase in net worth between the time of application for the loan and the time of final loan repayment of $2,407 from $7,026 to $9,433. Average gross cash income for each of these operators was $3,869 at the time of application, and $5,921 during the year when final payment was made. Since the average borrower was indebted for 4.3 years, the average year of application was 1952 for those borrowers for whom reports were tabulated.

6. *Debts compromised, adjusted, or canceled pursuant to Public Laws 518, 731 and 878.*—Continued emphasis is being given to the settlement of old accounts eligible for compromise, adjustment, or cancellation under existing statutory authorities.

The following table shows adjustment, compromise, and cancellation settlements during the fiscal year 1957 and from the inception of such activity on April 4, 1945, through June 30, 1957. Included in the figures are debt settlement activities taken under all programs administered by the Farmers' Home Administration.

	During fiscal year 1957	From inception, Apr. 4, 1945, through June 30, 1957
Number of borrowers involved in settlement	27,718	831,374
Original principal indebtedness	$20,544,110	$318,022,187
Repaid prior to settlement:		
Principal	9,958,943	124,755,595
Interest	1,737,746	21,407,457
Unpaid balance at time of settlement:		
Principal	10,585,168	193,266,592
Interest	6,362,700	85,533,357
Principal and interest paid at time of settlement	578,344	19,827,065
Principal and interest written off	16,369,523	258,972,884

The number of borrowers for whom settlement was effected during the 1957 fiscal year was 28 percent greater than the 1956 fiscal year, though less collections at the time of settlement were received. The increase volume undoubtedly reflected the new authority for compromise, adjustment and cancellation of debts authorized in the amendments to the Bankhead-Jones Farm Tenant Act included in Public Law 878, approved August 1, 1956.

TABLE I.—*Total operating loans to individuals, 1957 fiscal year, and operating and production and subsistence loans, cumulative from inception, Nov. 1, 1946, through June 30, 1957* [1]

State and Territory	1957 fiscal year														Cumulative, Nov. 1, 1946, through June 30, 1957	
	Initial loans on family-type farms based on—						Initial loans on less-than-family-type farms			All subsequent loans [2]			Total loans			
	Long-term plans			Annual plans												
	Number	Amount	Average amount	Number	Amount	Average amount	Number	Amount	Average amount	Number	Amount	Average amount	Number	Amount	Number	Amount
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
United States total	19,761	$87,763,640	$4,441	5,181	$8,105,955	$1,565	3,003	$4,323,570	$1,440	54,353	$79,806,829	$1,468	82,298	$179,999,994	942,402	$1,193,856,853
Alabama	806	1,735,650	2,155	715	541,090	757	90	44,095	490	2,665	2,436,028	914	4,276	4,757,863	54,813	37,469,280
Arizona	28	212,370	7,585	25	111,680	4,467	14	76,340	5,453	129	475,430	3,686	196	875,820	2,272	6,443,946
Arkansas	507	1,740,795	3,434	368	653,480	1,776	256	315,510	1,232	2,020	2,829,563	1,401	3,151	5,539,348	45,019	45,597,084
California	183	1,206,420	6,592	60	318,220	5,304	66	154,935	2,348	540	1,272,225	2,356	849	2,951,800	8,274	21,018,144
Colorado	350	2,109,032	6,026	15	55,460	3,697	6	13,365	2,228	1,199	2,344,874	1,956	1,570	4,522,731	14,502	28,309,059
Connecticut	5	33,540	6,708	2	8,800	4,400	2	5,450	2,725	30	63,495	2,116	39	111,285	419	1,079,492
Delaware	9	27,800	3,089	8	16,350	2,044	1	1,000	1,000	22	26,200	1,191	40	71,350	468	619,851
Florida	183	515,610	2,818	127	284,995	2,244	88	87,640	996	829	1,224,618	1,477	1,227	2,112,863	14,782	16,191,367
Georgia	623	2,295,495	3,685	193	394,210	2,043	104	114,455	1,101	2,001	3,220,636	1,609	2,921	6,024,796	49,466	45,058,988
Idaho	388	2,529,205	6,519	24	87,245	3,635	75	162,935	2,172	1,302	3,019,964	2,319	1,789	5,799,349	15,843	32,497,567
Illinois	624	3,622,430	5,805	111	216,585	1,951	17	33,590	1,976	1,616	2,542,945	1,574	2,368	6,415,550	14,941	32,248,508
Indiana	400	2,482,875	6,207	18	35,245	1,958	29	99,585	3,434	975	1,745,040	1,789	1,422	4,362,745	9,755	22,113,542
Iowa	984	5,662,375	5,754	8	11,000	1,375	1	4,600	4,600	1,106	1,579,070	1,426	2,099	7,257,045	15,457	31,432,806
Kansas	415	2,465,150	5,940	22	73,030	3,320	0	0	0	1,729	2,935,738	1,698	2,166	5,473,918	15,067	27,249,477
Kentucky	722	1,358,370	1,881	80	32,195	402	60	59,845	997	1,191	1,074,298	902	2,053	2,524,708	26,475	21,725,170
Louisiana	640	1,990,310	3,110	371	464,545	1,252	251	269,575	1,074	1,520	2,290,803	1,507	2,782	5,015,233	39,445	37,554,262
Maine	223	950,660	4,263	11	27,550	2,505	19	41,700	2,195	748	1,608,829	2,139	1,001	2,628,739	8,671	16,881,101
Maryland	181	608,230	3,360	41	38,030	928	27	29,505	1,093	297	359,667	1,211	546	1,035,432	5,730	7,637,792
Massachusetts	18	118,720	6,596	1	1,000	1,000	1	7,200	7,200	60	118,700	1,978	80	245,620	806	1,649,350
Michigan	344	1,951,410	5,673	30	110,395	3,680	34	66,065	1,943	861	1,477,336	1,716	1,269	3,605,206	12,854	26,965,495
Minnesota	539	3,280,275	6,086	138	187,700	1,360	17	46,540	2,738	745	889,437	1,192	1,439	4,403,952	14,070	29,660,463
Mississippi	1,126	2,609,255	2,317	283	247,415	874	348	321,560	924	3,284	2,939,167	895	5,041	6,117,397	59,675	46,938,547
Missouri	546	2,588,005	4,740	183	345,505	1,888	69	165,880	2,404	2,542	3,200,311	1,259	3,340	6,299,701	26,996	40,760,970
Montana	235	1,784,490	7,594	32	95,320	2,979	79	180,340	2,283	903	2,108,169	2,334	1,249	4,168,319	14,660	29,884,635
Nebraska	818	3,714,485	4,541	79	91,265	1,155	16	35,950	2,247	1,402	1,541,376	1,099	2,315	5,383,076	11,562	22,965,357
Nevada	12	71,425	5,952	6	26,170	4,362	2	11,000	5,500	34	95,353	2,804	54	203,948	662	1,852,617
New Hampshire	27	152,920	5,664	0	0	0	5	11,150	2,230	102	190,757	1,870	134	354,827	1,294	2,966,600
New Jersey	186	728,360	3,916	12	20,750	1,729	8	7,850	981	364	717,582	1,971	570	1,474,542	4,284	8,836,669
New Mexico	143	733,935	5,132	85	252,480	2,970	7	8,710	1,244	519	1,082,183	2,085	754	2,077,308	9,152	17,008,776
New York	262	1,867,965	7,130	17	94,270	5,545	16	73,295	4,886	982	1,370,320	1,395	1,276	3,405,850	12,091	23,572,669
North Carolina	1,090	2,824,498	2,591	608	806,915	1,327	245	182,705	746	2,389	3,650,955	1,528	4,332	7,465,073	73,406	58,195,972

North Dakota	592	3,583,766	6,054	14	8,770	626	4	20,240	5,060	1,499	2,202,736	1,469	2,109	5,815,512	15,606	27,199,009
Ohio	274	1,540,705	5,623	5	9,280	1,856	29	78,825	2,718	422	719,815	1,706	730	2,348,625	7,269	16,611,223
Oklahoma	673	3,061,540	4,549	61	69,895	1,146	188	467,710	2,488	2,897	3,045,646	1,051	3,819	6,644,791	45,162	56,795,002
Oregon	171	1,047,690	6,127	25	111,120	4,445	25	77,935	3,117	468	1,159,133	2,477	689	2,395,878	6,631	14,378,245
Pennsylvania	271	1,702,055	6,281	8	12,900	1,612	17	43,180	2,540	756	1,309,425	1,732	1,052	3,067,560	10,830	21,061,009
Rhode Island	3	14,300	4,767	1	10,000	10,000	0	0	0	10	17,520	1,750	14	41,820	135	300,215
South Carolina	704	1,237,965	1,758	610	547,735	898	246	136,520	555	1,463	1,377,439	942	3,023	3,299,659	70,737	35,649,246
South Dakota	566	3,366,335	5,948	6	16,485	2,748	1	800	800	1,798	2,163,155	1,203	2,371	5,546,775	13,669	26,373,808
Tennessee	498	1,150,085	2,309	167	133,840	801	117	115,110	984	1,601	1,424,667	890	2,383	2,823,702	24,804	20,066,636
Texas	1,561	8,611,049	5,516	229	845,385	3,692	85	183,675	2,161	3,836	7,076,904	1,845	5,711	16,717,013	68,261	100,843,094
Utah	138	774,510	5,612	20	63,070	3,154	47	145,440	3,094	393	743,514	1,890	598	1,726,534	6,226	10,915,403
Vermont	18	125,395	6,966	0	0	0	0	0	0	109	145,794	1,334	[3] 127	271,189	1,602	3,198,593
Virginia	253	810,610	3,204	219	191,730	875	55	51,180	931	637	825,632	1,296	1,164	1,879,152	15,708	12,555,758
Washington	304	1,914,310	6,297	42	203,035	4,834	25	88,930	3,557	942	2,074,204	2,201	1,313	4,280,479	8,518	22,527,785
West Virginia	168	466,460	2,777	19	9,020	475	95	140,060	1,474	484	641,163	1,324	766	1,256,703	6,587	8,733,219
Wisconsin	461	2,403,115	5,213	1	250	250	15	43,830	2,922	950	1,027,131	1,081	1,427	3,474,326	14,372	27,868,118
Wyoming	163	1,186,235	7,278	35	186,565	5,330	4	12,950	3,238	664	1,554,150	2,340	866	2,939,900	10,211	21,607,530
Alaska	8	46,700	5,838	0	0	0	0	0	0	19	48,905	2,574	27	95,605	151	428,304
Hawaii	78	265,940	3,409	8	8,950	1,119	2	5,080	2,540	119	203,840	1,713	207	483,810	1,124	2,168,172
Puerto Rico	239	479,515	2,006	35	27,980	799	83	74,435	897	1,160	1,568,127	1,352	1,517	2,150,057	31,410	21,840,283
Virgin Islands	1	2,300	2,300	3	1,050	350	13	5,300	408	20	46,860	2,343	37	55,510	478	350,645

[1] Does not include loans from State rural rehabilitation corporation funds.
[2] Subsequent loan amounts include recoverable and non-recoverable loan costs such as advances for taxes and insurance, and filing fees. The average amounts exclude loan costs.

TABLE II.—*Total operating loans to veterans only, 1957 fiscal year, and operating and production and subsistence loans, cumulative from inception, Nov. 1, 1946 through June 30, 1957* [1]

State and Territory	1957 fiscal year														Cumulative, Nov. 1, 1946, through June 30, 1957	
	Initial loans on family-type farms based on—						Initial loans on less-than-family-type farms			All subsequent loans [2]			Total loans			
	Long-term plans			Annual plans												
	Number	Amount	Average amount	Number	Amount	Average amount	Number	Amount	Average amount	Number	Amount	Average amount	Number	Amount	Number	Amount
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
United States total	7,418	$35,057,137	$4,726	1,265	$2,525,500	$1,996	936	$1,582,410	$1,691	21,995	$35,095,937	$1,595	31,614	$74,260,984	317020	$518,372,288
Alabama	240	571,670	2,382	126	119,090	945	22	10,340	470	826	885,424	1,072	1,214	1,586,524	15,006	13,367,754
Arizona	14	110,480	7,891	10	46,980	4,698	6	30,370	5,062	68	244,380	3,594	98	432,210	1,078	3,177,903
Arkansas	205	735,230	3,586	94	189,305	2,014	93	125,495	1,349	736	1,108,328	1,506	1,128	2,158,358	15,561	18,848,185
California	74	506,030	6,838	30	172,050	5,735	39	90,000	2,308	269	628,145	2,335	412	1,396,225	3,811	10,113,219
Colorado	120	722,840	6,024	2	2,500	1,250	4	11,465	2,866	486	996,425	2,050	612	1,733,230	5,847	12,196,087
Connecticut	3	18,840	6,280	1	4,500	4,500	0	0	0	15	31,650	2,110	19	54,990	165	406,740
Delaware	1	5,500	5,500	2	1,300	650	0	0	0	8	9,900	1,238	11	16,700	172	230,906
Florida	71	206,285	2,905	50	138,045	2,761	25	23,520	941	341	568,625	1,668	487	936,475	5,680	7,757,640
Georgia	204	771,380	3,781	39	91,115	2,336	26	34,840	1,340	750	1,295,480	1,727	1,019	2,192,815	11,872	15,383,470
Idaho	192	1,202,890	6,265	8	23,265	2,908	31	55,385	1,787	742	1,897,053	2,557	973	3,178,593	8,053	17,549,317
Illinois	310	1,775,685	5,728	36	80,190	2,228	7	9,310	1,330	802	1,330,852	1,659	1,155	3,196,037	7,567	17,262,627
Indiana	201	1,232,505	6,132	7	13,665	1,952	10	34,160	3,416	482	847,870	1,759	700	2,128,200	4,711	11,468,419
Iowa	429	2,496,165	5,819	1	1,600	1,600	1	4,600	4,600	598	867,515	1,451	1,029	3,369,880	7,376	16,413,124
Kansas	174	1,010,415	5,807	12	37,850	3,154	0	0	0	714	1,217,555	1,705	900	2,265,820	6,979	13,275,838
Kentucky	316	617,655	1,955	27	11,585	429	25	21,980	879	468	445,370	952	836	1,096,590	9,603	9,431,212
Louisiana	181	638,445	3,527	84	123,900	1,475	58	68,565	1,182	438	785,492	1,793	761	1,616,402	9,847	12,921,621
Maine	75	347,460	4,633	2	7,450	3,725	5	8,000	1,600	323	789,076	2,428	405	1,151,986	3,267	6,694,782
Maryland	44	175,365	3,986	8	6,800	850	12	16,520	1,377	71	87,620	1,234	135	286,305	1,468	2,436,536
Massachusetts	11	62,595	5,690	1	1,000	1,000	0	0	0	28	53,190	1,900	40	116,785	370	797,300
Michigan	132	726,675	5,505	9	32,140	3,571	19	39,095	2,058	371	660,046	1,779	531	1,457,956	6,009	12,927,392
Minnesota	243	1,459,035	6,004	40	52,930	1,323	6	19,995	3,332	376	462,795	1,231	665	1,994,755	7,022	15,766,483
Mississippi	358	964,295	2,694	58	49,560	854	90	103,020	1,145	1,164	1,178,845	1,013	1,670	2,295,720	16,761	18,535,965
Missouri	272	1,273,110	4,681	49	87,890	1,794	26	69,290	2,665	1,218	1,577,849	1,295	1,565	3,008,139	13,360	21,651,604
Montana	95	737,495	7,763	18	47,580	2,643	38	74,880	1,971	418	944,732	2,260	569	1,804,687	6,387	14,284,670
Nebraska	356	1,535,310	4,313	28	39,245	1,402	5	14,890	2,978	690	782,170	1,134	1,079	2,371,615	5,823	12,078,859
Nevada	4	27,280	6,820	4	12,300	3,125	1	1,000	1,000	14	32,300	2,307	23	73,080	315	884,510
New Hampshire	15	71,090	4,739	0	0	0	2	3,750	1,875	59	126,125	2,138	76	200,965	598	1,469,566
New Jersey	37	150,440	4,066	4	5,800	1,450	1	1,200	1,200	122	233,623	1,915	164	391,063	1,612	3,322,343
New Mexico	53	274,650	5,182	35	100,770	2,879	1	1,000	1,000	229	470,177	2,053	318	846,597	3,919	7,566,630
New York	87	637,670	7,330	7	38,600	5,514	4	21,065	5,266	360	525,877	1,461	458	1,223,212	4,342	9,324,081
North Carolina	325	887,102	2,730	122	186,490	1,529	66	50,725	769	875	1,415,305	1,617	1,388	2,539,622	16,775	17,822,117

North Dakota	197	1,209,610	6,140	4	2,810	702	2	6,840	3,420	641	955,625	1,491	844	2,174,885	6,919	12,805,496
Ohio	129	700,875	5,433	2	900	450	15	41,400	2,760	214	383,970	1,794	360	1,127,145	3,639	8,691,656
Oklahoma	203	994,355	4,898	11	18,510	1,683	73	182,220	2,496	969	1,029,986	1,063	1,256	2,225,071	17,893	25,424,077
Oregon	72	437,685	6,079	15	57,805	3,854	9	33,275	3,697	210	517,069	2,462	306	1,045,834	3,052	6,848,997
Pennsylvania	105	651,905	6,209	1	600	600	6	23,875	3,979	309	545,321	1,765	421	1,221,701	4,733	9,747,614
Rhode Island	1	2,500	2,500	1	10,000	10,000	0	0	0	5	9,000	1,800	7	21,500	36	88,550
South Carolina	181	396,590	2,191	108	131,475	1,217	52	36,320	698	392	486,625	1,241	733	1,051,010	11,247	8,638,636
South Dakota	251	1,441,845	5,744	2	10,500	5,250	1	800	800	988	1,228,260	1,243	1,242	2,681,405	7,290	14,901,157
Tennessee	160	376,590	2,354	34	36,635	1,078	26	36,335	1,398	498	488,735	981	718	938,295	7,443	7,325,951
Texas	577	3,497,955	6,062	76	325,705	4,286	27	75,970	2,814	1,573	3,080,191	1,958	2,253	6,979,821	23,592	42,707,272
Utah	58	262,660	4,529	9	21,470	2,386	21	56,830	2,706	170	351,163	2,065	258	692,123	3,006	5,338,492
Vermont	2	15,750	7,875	0	0	0	0	0	0	49	73,022	1,489	51	88,772	621	1,325,421
Virginia	99	364,705	3,684	53	61,295	1,156	15	11,475	765	242	329,260	1,361	409	766,735	4,176	4,857,382
Washington	113	690,675	6,112	16	63,640	3,978	7	24,600	3,514	469	1,177,225	2,510	605	1,956,140	4,241	11,620,839
West Virginia	70	198,005	2,829	2	1,350	675	42	71,210	1,695	215	299,310	1,392	329	569,875	2,674	3,891,792
Wisconsin	221	1,120,970	5,072	1	250	250	8	24,570	3,071	440	494,436	1,124	670	1,640,226	6,625	13,718,262
Wyoming	72	525,535	7,299	8	47,620	5,952	1	3,000	3,000	330	782,430	2,371	411	1,358,585	4,996	10,943,689
Alaska	7	37,400	5,343	0	0	0	0	0	0	9	19,755	2,195	16	57,155	93	268,775
Hawaii	29	110,585	3,813	3	3,500	1,167	1	3,080	3,080	50	91,390	1,828	83	208,555	465	899,045
Puerto Rico	29	69,355	2,392	5	5,740	1,148	6	5,850	975	159	246,600	1,551	199	327,545	2,884	2,910,680
Virgin Islands	0	0	0	0	0	0	1	300	300	2	6,770	3,385	3	7,070	39	51,605

[1] Does not include loans from State rural rehabilitation corporation funds.

[2] Subsequent loan amounts include recoverable and nonrecoverable loan costs such as advances for taxes and insurance, and filing fees. The average amounts exclude loan costs.

TABLE III.—*Operating and production and subsistence loans, maturities, and collections, cumulative through June 30, 1957* [1]

State and Territory	Cumulative loan obligations	Cumulative advances	Matured principal	Collections			Principal		Unpaid principal balance	Ratio of principal repayments to matured principal
				Principal repayments	Interest payments	Total	Writeoffs	Judgments		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
United States total	$1,193,856,853	$1,193,791,748	$883,814,550	$826,250,908	$82,131,711	$908,382,619	$6,532,462	$1,106,198	$359,902,180	93.5
Alabama	37,469,280	37,208,991	30,795,854	29,540,656	1,878,450	31,419,106	308,572	42,084	7,317,679	95.9
Arizona	6,443,946	6,720,829	5,556,042	5,011,334	373,733	5,385,067	44,044	8	1,665,443	90.0
Arkansas	45,597,084	44,421,340	35,730,139	33,699,081	2,901,368	36,600,449	376,790	58,875	10,286,594	94.3
California	21,018,144	23,062,137	18,296,879	16,746,667	1,688,305	18,434,972	313,775	639	6,001,056	91.5
Colorado	28,309,059	28,135,774	21,458,070	18,364,477	1,881,008	20,245,485	71,606	49,112	9,650,579	85.6
Connecticut	1,079,492	1,186,374	899,907	842,692	91,392	934,084	17,671	4,346	321,665	93.6
Delaware	619,851	635,202	494,580	412,807	59,953	472,760	1,325	1,242	219,828	83.5
Florida	16,191,367	16,586,491	13,992,067	12,362,506	988,312	13,350,818	287,430	74,859	3,861,696	88.4
Georgia	45,058,988	44,959,746	37,097,419	34,906,022	2,269,929	37,175,951	587,039	75,873	9,390,812	94.1
Idaho	32,497,567	32,472,808	22,172,290	20,957,690	2,263,811	23,221,501	67,395	11,804	11,435,919	94.5
Illinois	32,248,508	32,852,277	21,017,528	20,446,094	2,356,810	22,802,904	120,417	12,413	12,273,353	97.3
Indiana	22,113,542	22,405,275	14,358,636	14,002,961	1,584,693	15,587,654	72,867	16,020	8,313,427	97.5
Iowa	31,432,806	31,688,392	18,569,324	18,420,653	2,170,825	20,591,478	52,661	4,956	13,210,122	99.2
Kansas	27,249,477	27,494,806	18,685,239	17,286,535	2,065,089	19,351,624	113,323	9,687	10,085,261	92.5
Kentucky	21,725,170	21,450,906	16,601,530	15,763,090	1,746,929	17,510,019	69,957	2,257	5,615,602	94.9
Louisiana	37,554,262	37,479,207	30,064,768	28,889,784	2,012,700	30,902,484	211,415	64,545	8,313,463	96.1
Maine	16,881,101	16,771,058	12,329,595	11,795,830	1,032,206	12,828,036	54,163	2,669	4,918,396	95.7
Maryland	7,637,792	7,700,946	5,412,433	4,849,816	731,998	5,581,814	21,712	2,146	2,827,272	89.6
Massachusetts	1,649,350	1,693,897	1,221,374	1,159,190	121,938	1,281,128	12,079	2,816	519,812	94.9
Michigan	26,965,495	27,223,033	17,805,122	16,725,248	2,583,998	19,309,246	141,905	14,701	10,341,179	93.9
Minnesota	29,660,463	29,737,492	20,923,624	20,453,946	2,611,331	23,065,277	77,316	17,048	9,189,182	97.8
Mississippi	46,938,547	46,566,100	36,280,168	33,842,472	2,835,310	36,677,782	659,580	26,150	12,037,898	93.3
Missouri	40,760,970	40,544,281	30,854,459	29,427,475	2,946,424	32,373,899	127,140	10,423	10,979,243	95.4
Montana	29,884,635	29,811,531	22,758,137	21,227,321	2,223,312	23,450,633	34,764	31,530	8,517,916	93.3
Nebraska	22,965,357	22,862,974	14,166,231	13,586,303	1,500,290	15,086,593	31,057	23,585	9,222,029	95.9
Nevada	1,852,617	1,872,851	1,416,888	1,336,856	169,712	1,506,568	15,819	902	519,274	94.4
New Hampshire	2,966,600	2,932,259	1,958,676	1,846,155	271,286	2,117,441	20,536	10,509	1,055,059	94.3
New Jersey	8,836,669	8,858,084	6,432,604	5,738,574	656,106	6,394,680	45,835	42,328	3,031,347	89.2
New Mexico	17,008,776	16,482,877	13,198,961	11,191,526	1,121,260	12,312,786	90,736	12,546	5,188,069	84.8
New York	23,572,669	23,617,492	14,868,108	13,835,208	2,161,261	15,996,469	158,150	26,401	9,597,733	93.1
North Carolina	58,195,972	58,078,591	47,285,135	45,757,493	2,811,165	48,568,658	296,409	40,261	11,984,428	96.8
North Dakota	27,199,009	26,744,117	14,672,101	13,961,507	1,935,080	15,896,587	27,689	71,764	12,683,157	95.2
Ohio	16,611,223	16,931,492	12,092,692	11,493,408	1,474,302	12,967,710	102,653	37,723	5,297,708	95.0
Oklahoma	56,795,002	55,688,212	43,523,052	39,770,448	4,509,737	44,280,185	121,946	18,581	15,777,237	91.4
Oregon	14,378,245	14,559,097	11,059,589	10,379,724	978,436	11,358,160	45,390	8,018	4,125,965	93.9
Pennsylvania	21,061,009	21,004,941	13,468,483	12,567,870	2,011,484	14,579,354	65,678	92,615	8,278,778	93.3
Rhode Island	300,215	294,005	197,645	204,026	22,514	226,540	1,084	0	88,895	103.2
South Carolina	35,649,246	35,616,429	31,364,269	29,472,870	1,535,015	31,007,885	532,514	46,224	5,564,821	94.0

South Dakota	26, 373, 808	25, 973, 391	15, 536, 263	14, 004, 053	2, 013, 339	16, 017, 392	25, 827	11, 396	11, 932, 115	90. 1
Tennessee	20, 066, 636	20, 133, 599	15, 489, 544	14, 637, 100	1, 361, 718	15, 998, 818	129, 904	1, 750	5, 364, 845	94. 5
Texas	100, 843, 094	101, 509, 743	78, 089, 658	67, 395, 629	6, 296, 367	73, 691, 996	638, 958	41, 245	33, 433, 911	86. 3
Utah	10, 915, 403	10, 938, 081	7, 836, 246	7, 453, 789	909, 053	8, 362, 842	26, 526	9, 658	3, 448, 108	95. 1
Vermont	3, 198, 593	3, 156, 254	2, 291, 890	2, 251, 211	323, 967	2, 575, 178	27, 371	0	877, 672	98. 2
Virginia	12, 555, 758	12, 564, 111	9, 734, 088	9, 138, 605	818, 734	9, 957, 339	42, 751	11, 174	3, 371, 581	93. 9
Washington	22, 527, 785	22, 929, 785	15, 526, 342	14, 424, 314	1, 597, 839	16, 022, 153	31, 719	19, 204	8, 454, 548	92. 9
West Virginia	8, 733, 219	8, 586, 492	5, 267, 683	4, 948, 246	721, 156	5, 669, 402	12, 606	6, 990	3, 618, 650	93. 9
Wisconsin	27, 868, 118	27, 638, 980	18, 627, 115	18, 439, 248	2, 588, 013	21, 027, 261	50, 078	8, 954	9, 141, 600	99. 0
Wyoming	21, 607, 530	21, 188, 972	16, 638, 055	15, 227, 424	1, 545, 942	16, 773, 366	37, 065	25, 267	5, 899, 216	91. 5
Alaska	428, 304	476, 071	314, 749	275, 897	44, 037	319, 934	0	0	200, 174	87. 7
Hawaii	2, 168, 172	2, 158, 668	1, 366, 403	1, 274, 414	161, 780	1, 436, 194	11, 755	0	872, 499	93. 3
Puerto Rico	21, 840, 283	21, 834, 642	17, 776, 204	18, 253, 127	1, 148, 607	19, 401, 734	96, 751	3, 800	3, 480, 964	102. 7
Virgin Islands	350, 645	350, 645	230, 692	251, 536	23, 687	275, 223	709	0	98, 400	109. 0

[1] Loans made by Farmers' Home Administration subsequent to Oct. 31, 1946.

SOIL AND WATER CONSERVATION LOANS

1. *Loans.*—During the 1957 fiscal year, a total of $5,500,000 was available for direct soil and water conservation loans. In addition, an insured loan authorization of $25 million was available. During 1956 ample funds from private lenders were available so that only about $1,300,000 of direct loan funds were obligated during the year, compared to a total of about $10,500,000 in insured loans. The experience in 1957 was radically different. A total of $5,499,815 or $185 less than the amount available, was obligated for direct loans. Insured loans during the year took a sharp drop and totaled only $3,926,169. The reduced volume of insured loans was due primarily to lack of funds from private lenders, although during the early months of the fiscal year when insured loan funds were more plentiful, there was an indication of reduced activity below the rate experienced in 1956.

2. *Use of loan funds.*—Soil and water conservation loans continued to be made primarily for irrigation and domestic water purposes. The amount of loan funds used strictly for soil conservation purposes was relatively small.

In 1957 about 80 percent of the total amount loaned to individuals was used for irrigation facilities, 6 percent for domestic water supplies, 12 percent for soil conservation practices and 2 percent for drainage. Of the total amount loaned to associations, 47 percent was used for domestic water supplies, 46 percent for irrigation, and about 7 percent for the purchase of machinery and equipment to be used for construction and development work in connection with soil conservation services. Individuals receiving loans plan to irrigate about 122,000 acres and improve about 17,000 acres of pastureland.

A substantial portion of the total direct and insured loans was made in the Eastern, Southern, and Midwestern States which were not covered by the program prior to its extension under Public Law 597, approved August 17, 1954. The total amount of direct and insured loans for the fiscal year 1957 in the 17 western arid and semiarid States was $6,976,737. Loans in all other States and Territories which were not previously covered by the program, totaled $2,449,247.

3. *Applications.*—During 1957, 4,369 applications from individuals and 109 applications from associations were received. On June 30, 1957, there were 1,110 applications from individuals and 109 applications from associations on hand. Applications from individuals in 1957 were about 18 percent under the 1956 applications, while applications from associations increased from 96 to 109. If sufficient insured loan funds could be secured in 1958, it appears that the loan activity would exceed 1957. It is doubtful, however, that insured funds can be secured in amounts in excess of 1957 which will mean that a substantial number of applicants will be unable to secure a loan.

4. *Number and amount of loans.*—The following table shows the number of both direct and insured soil and water conservation loans made in fiscal year 1955 from September 17, 1954, in fiscal year 1956, fiscal year 1957 and estimated for fiscal year 1958. The numbers and amounts of direct loans for fiscal year 1955 include 520 initial and subsequent water facilities loans for $2,608,589 made prior to September 17, 1954.

Soil and water conservation loans

Fiscal year	Loans to individuals		Loans to groups		Total
	Initial	Supplemental	Initial	Supplemental	
1955 (actual):					
Direct:					
Number	660	48	28	12	748
Amount	$2,459,425	$102,308	$1,319,710	$161,300	$4,042,743
Insured:					
Number	2,803	96	14	0	2,913
Amount	14,570,390	375,276	298,650	0	15,244,316
1956 (actual):					
Direct:					
Number	335	42	9	0	386
Amount	665,142	79,780	568,900	0	1,313,822
Insured:					
Number	1,767	111	28	1	1,907
Amount	9,257,997	359,135	772,945	6,750	10,396,827
1957 (actual):					
Direct:					
Number	804	81	21	3	909
Amount	4,343,335	249,380	883,900	23,200	5,499,815
Insured:					
Number	610	54	10	0	674
Amount	3,173,384	162,855	589,930	0	3,926,169
1958 (estimated):					
Direct:					
Number	505	65	40	10	620
Amount	2,735,000	205,000	2,500,000	60,000	5,500,000
Insured:					
Number	380	45	10	0	435
Amount	1,970,000	130,000	1,400,000	0	3,500,000

See tables I and II for distribution by States.

5. *Repayments on loans.*—The following table shows the status of principal and interest payments on water facilities loans made prior to September 17, 1954:

Water facilities loans

Loan advances	$37,178,070
Matured principal	$21,960,309
Principal repayments	$21,728,964
Interest payments	$3,708,893
Ratio of principal repayments to matured principal—percent	98.9

See table III for distribution by States.

SOIL AND WATER CONSERVATION LOANS

The following is the status of direct and insured soil and water conservation loans made to individuals between September 17, 1954, and January 1, 1957. All of these loans have a January 1 annual maturity date. As of January 1, 1957, 5,873 direct and insured loans for $28,140,290 had been made. On the same date, 370 borrowers had paid in full their principal indebtedness of $1,396,706, and had made interest payments of $54,402, including insured loan charges. Of the 5,503 borrowers receiving loans of $26,743,584 who still owe balances, 1,162 were ahead of their scheduled payments, 1,019 were behind their scheduled payments, and 3,322 were on schedule. Total principal and interest scheduled installments through January 1, 1957, for all borrowers with unpaid balances totaled $4,453,769. Against this amount borrowers had paid $4,147,206 as regular payments on their installments. This represents 93 percent of the total principal and interest installments due. In addition, the same borrowers had paid $643,824 in refunds and extra payments, representing payments derived from some other source which were not credited to the regular installments.

As of January 1, 1957, 72 associations had been advanced $2,815,345 in direct and insured loans. Two associations borrowing $11,950 had paid in full. Of the balance of 70 associations borrowing $2,803,395, only $153,837 in principal and interest installments had fallen due as of January 1, 1957. Total principal and interest payments against these installments were $132,303. Extra payments and refunds of $48,481 were also applied to these accounts.

It was necessary to advance to lenders holding insured loans a total of $481,941 immediately after January 1, 1957, in order to cover the balance of principal and interest installments not paid by borrowers.

See tables IV and V for distribution by States.

TABLE I.—*Soil and water conservation loans to individuals and groups—Number and amount of direct loans, 1957 fiscal year and cumulative from inception, Sept. 17, 1954, through June 30, 1957*

State and Territory	1957 fiscal year											Total amount to individuals and groups from Sept. 17, 1954, through June 30, 1957
	Loans to individuals					Loans to groups					Total amount to individuals and groups	
	Initial			Subsequent		Initial			Subsequent			
	Number	Amount	Average amount	Number	Amount including loan costs	Number	Amount	Average amount	Number	Amount		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
United States total	804	$4,343,335	$5,402	81	$249,380	21	$883,900	$42,090	3	$23,200	$5,499,815	$8,247,792
Alabama	5	13,090	2,618	0	0	0	0	0	0	0	13,090	13,090
Arizona	0	0	0	0	907	0	0	0	0	0	907	11,025
Arkansas	4	13,475	3,369	0	2	0	0		0	0	13,477	13,481
California	60	389,550	6,492	6	27,715	0	0	0	0	0	417,265	429,346
Colorado	13	90,540	6,965	0	1,050	5	137,350	27,470	1	15,400	244,340	364,701
Connecticut	0	0	0	0	0	0	0	0	0	0	0	0
Delaware	0	0	0	0	0	0	0	0	0	0	0	0
Florida	57	348,315	6,111	2	6,700	0	0	0	0	0	355,015	410,220
Georgia	19	81,340	4,281	0	0	0	0	0	0	0	81,340	107,035
Idaho	43	317,510	7,384	5	9,216	4	49,500	12,375	0	0	376,226	449,557
Illinois	19	43,265	2,277	0	0	0	0	0	0	0	43,265	72,292
Indiana	4	20,070	5,018	0	1	0	0	0	0	0	20,071	20,071
Iowa	4	22,000	5,500	0	1	0	0	0	0	0	22,001	22,001
Kansas	29	257,255	8,871	13	45,422	2	349,000	174,500	0	0	651,677	651,680
Kentucky	9	19,925	2,214	0	0	0	0	0	0	0	19,925	513,275
Louisiana	16	51,085	3,193	0	0	0	0	0	0	0	51,085	51,085
Maine	0	0	0	0	0	0	0	0	0	0	0	10,085
Maryland	1	3,100	3,100	0	0	0	0	0	0	0	3,100	3,100
Massachusetts	0	0	0	0	0	0	0	0	0	0	0	0
Michigan	6	39,745	6,624	0	0	0	0	0	0	0	39,745	39,745
Minnesota	3	6,200	2,067	0	1	0	0	0	0	0	6,201	7,201
Mississippi	50	125,000	2,500	3	4,441	0	0	0	0	0	129,441	142,886
Missouri	50	126,205	2,524	4	6,020	0	0	0	0	0	132,225	164,950
Montana	11	54,230	4,930	1	682	0	0	0	1	5,300	60,212	430,773
Nebraska	120	850,680	7,089	19	52,873	0	0	0	0	0	903,553	927,328
Nevada	2	21,150	10,575	0	1	0	0	0	0	0	21,151	31,150
New Hampshire	0	0	0	0	0	0	0	0	0	0	0	0
New Jersey	7	32,610	4,659	0	0	0	0	0	0	0	32,610	32,610
New Mexico	0	0	0	0	886	0	0	0	0	0	886	10,359

New York	1	1,500	1,500	0	0	0	0	0	0	0	1,500	1,500
North Carolina	15	47,765	3,184	1	2,800	0	0	0	0	0	50,565	71,035
North Dakota	9	13,210	1,468	1	1,739	2	37,000	18,500	0	0	51,949	64,458
Ohio	4	13,350	3,338	0	0	0	0	0	0	0	13,350	13,350
Oklahoma	17	108,905	6,406	1	1,717	0	0	0	0	0	110,622	110,654
Oregon	18	50,200	2,789	6	11,620	0	0	0	0	0	61,820	198,501
Pennsylvania	6	13,300	2,217	0	0	0	0	0	0	0	13,300	31,565
Rhode Island	0	0	0	0	0	0	0	0	0	0	0	0
South Carolina	27	48,150	1,783	0	0	0	0	0	0	0	48,150	84,280
South Dakota	10	81,055	8,106	0	226	0	0	0	0	0	81,281	99,846
Tennessee	18	19,725	1,096	0	52	0	0	0	0	0	19,777	19,777
Texas	79	714,445	9,044	6	49,493	0	0	0	0	0	763,938	766,965
Utah	22	113,955	5,180	6	8,064	0	0	0	0	0	122,019	460,022
Vermont	0	0	0	0	0	0	0	0	0	0	0	0
Virginia	0	0	0	0	0	0	0	0	0	0	0	0
Washington	34	150,975	4,440	4	9,719	5	263,850	52,770	1	2,500	427,044	562,984
West Virginia	2	3,640	1,820	0	0	0	0	0	0	0	3,640	21,880
Wisconsin	2	3,880	1,940	0	0	0	0	0	0	0	3,880	3,880
Wyoming	6	23,600	3,933	0	32	3	47,200	15,733	0	0	70,832	170,303
Alaska	1	6,990	6,990	0	0	0	0	0	0	0	6,990	6,990
Hawaii	1	2,350	2,350	1	6,000	0	0	0	0	0	8,350	8,350
Puerto Rico	0	0	0	2	2,000	0	0	0	0	0	2,000	612,406
Virgin Islands	0	0	0	0	0	0	0	0	0	0	0	10,000

NOTE.—Loan costs representing such things as recoverable advances for taxes and insurance, the occasional purchase of a 1st mortgage, recording fees, etc., are included in the amounts for subsequent loans and in the cumulative total column. Wherever an amount appears where there is no number of loans, the entire amount is for loan costs. Some of the loan costs are in connection with water facilities loans made in prior years.

TABLE II.—*Soil- and water-conservation loans to individuals and groups—Number and amount of insured loans, 1957 fiscal year and cumulative from inception, Sept. 17, 1954, through June 30, 1957*

State and Territory	1957 fiscal year									Total amount to individuals and groups from Sept. 17, 1954, through June 30, 1957
	Loans to individuals					Loans to groups, initial			Total amount to individuals and groups	
	Initial			Subsequent						
	Number	Amount	Average amount	Number	Amount	Number	Amount	Average amount		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
United States total	610	$3,173,384	$5,202	54	$162,855	10	$589,930	$58,993	$3,926,169	$29,567,312
Alabama	0	0	0	0	0	0	0	0	0	278,400
Arizona	25	423,985	16,959	1	1,500	1	100,000	100,000	525,485	1,609,025
Arkansas	104	397,500	3,822	7	23,005	0	0	0	420,505	1,990,915
California	7	49,245	7,035	0	0	0	0	0	49,245	1,237,606
Colorado	13	66,635	5,126	1	940	3	94,500	31,500	162,075	717,585
Connecticut	0	0	0	0	0	0	0	0	0	4,900
Delaware	0	0	0	0	0	0	0	0	0	18,790
Florida	18	56,300	3,128	1	5,000	0	0	0	61,300	1,413,414
Georgia	18	37,030	2,057	0	0	0	0	0	37,030	1,023,195
Idaho	3	9,890	3,297	0	0	3	37,870	12,623	47,760	679,150
Illinois	5	18,600	3,720	0	0	0	0	0	18,600	179,280
Indiana	1	1,400	1,400	3	4,820	0	0	0	6,220	103,495
Iowa	5	20,140	4,028	0	0	0	0	0	20,140	243,715
Kansas	23	182,405	7,931	9	28,930	0	0	0	211,335	2,122,023
Kentucky	0	0	0	0	0	0	0	0	0	64,980
Louisiana	17	74,155	4,362	1	1,140	0	0	0	75,295	580,360
Maine	0	0	0	0	0	0	0	0	0	9,700
Maryland	0	0	0	0	0	0	0	0	0	80,785
Massachusetts	0	0	0	0	0	0	0	0	0	30,465
Michigan	14	57,380	4,097	2	2,220	0	0	0	59,580	567,020
Minnesota	6	16,400	2,733	0	0	0	0	0	16,400	117,450
Mississippi	64	314,130	4,908	2	6,900	0	0	0	321,030	1,407,190
Missouri	13	58,530	4,502	2	4,680	0	0	0	63,200	549,580
Montana	4	23,020	5,755	0	0	0	0	0	23,020	436,420
Nebraska	61	376,110	6,166	7	15,025	0	0	0	391,135	2,280,403
Nevada	0	0	0	0	0	1	50,000	50,000	50,000	202,405
New Hampshire	0	0	0	0	0	0	0	0	0	0
New Jersey	0	0	0	0	0	0	0	0	0	197,565
New Mexico	53	252,575	4,766	7	35,700	0	0	0	288,275	1,499,055
New York	0	0	0	0	0	0	0	0	0	110,255
North Carolina	11	33,095	3,009	0	0	0	0	0	33,095	751,850

North Dakota	4	5,520	1,380	0	0	0	0	0	5,520	73,035
Ohio	0	0	0	0	0	0	0	0	0	80,270
Oklahoma	11	87,285	7,935	0	0	0	0	0	87,285	1,767,201
Oregon	4	40,625	10,156	0	0	0	0	0	40,625	370,455
Pennsylvania	1	2,725	2,725	0	0	0	0	0	2,725	44,025
Rhode Island	0	0	0	0	0	0	0	0	0	0
South Carolina	12	46,015	3,835	2	1,235	0	0	0	47,250	775,535
South Dakota	0	0	0	0	0	0	0	0	0	36,805
Tennessee	1	4,000	4,000	0	0	0	0	0	4,000	191,210
Texas	61	338,245	5,545	5	23,060	0	0	0	361,305	3,689,531
Utah	3	16,075	5,358	2	7,000	0	0	0	23,075	371,650
Vermont	0	0	0	0	0	0	0	0	0	3,500
Virginia	5	15,209	3,042	1	1,200	0	0	0	16,409	193,094
Washington	5	26,495	5,299	0	0	0	0	0	26,495	499,450
West Virginia	2	7,680	3,840	0	0	0	0	0	7,680	84,395
Wisconsin	4	26,800	6,700	0	0	0	0	0	26,800	127,050
Wyoming	2	10,820	5,410	0	0	2	307,560	153,780	318,380	588,005
Alaska	0	0	0	0	0	0	0	0	0	0
Hawaii	0	0	0	0	0	0	0	0	0	36,830
Puerto Rico	30	77,395	2,580	1	500	0	0	0	77,895	128,295
Virgin Islands	0	0	0	0	0	0	0	0	0	0

TABLE III.—*Water facilities loans to individuals and groups made from 1938 through Sept. 17, 1954, and maturities and collections through June 30, 1957*

State	Cumulative loan obligations [1]	Cumulative loan advances [1]	Matured principal	Collections			Principal		Outstanding principal balance on loan advances	Ratio of principal repayments to matured principal
				Principal repayments	Interest payments	Total	Write-offs	Judgments		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
										Percent
United States total	$37,096,465	$37,178,070	$21,960,309	$21,728,964	$3,708,893	$25,437,857	$28,249	$15,674	$15,405,183	98.9
Arizona	2,126,756	2,125,383	930,225	912,829	211,557	1,124,386	45	506	1,212,003	98.1
Arkansas	1,400	2,385	930	480	188	668	0	0	1,905	51.6
California	2,941,748	2,947,322	1,846,925	1,880,627	299,262	2,179,889	1,974	0	1,064,721	101.8
Colorado	2,725,161	2,721,676	1,463,712	1,421,220	278,282	1,699,502	1,198	7,220	1,292,038	97.1
Idaho	2,826,630	2,837,751	1,660,729	1,661,237	334,868	1,996,105	130	0	1,176,384	100.0
Kansas	1,261,267	1,265,295	752,709	724,297	110,920	835,217	1,284	0	539,714	96.2
Missouri	52,975	56,725	16,531	18,964	3,774	22,738	0	0	37,761	114.7
Montana	2,323,721	2,335,815	1,393,549	1,345,043	245,743	1,590,786	0	0	990,772	96.5
Nebraska	2,193,825	2,198,957	1,416,486	1,389,957	179,292	1,569,249	3,098	0	805,902	98.1
Nevada	543,960	547,386	208,002	205,183	64,581	269,764	0	0	342,203	98.6
New Mexico	1,932,038	1,939,123	1,179,272	1,118,253	170,735	1,288,988	10,422	0	810,448	94.8
New York	4,000	4,675	1,225	1,922	383	2,305	0	0	2,753	156.9
North Dakota	471,785	470,008	345,209	335,237	36,689	371,926	48	300	134,423	97.1
Oklahoma	2,542,556	2,552,503	1,620,369	1,612,026	217,431	1,829,457	4,977	0	935,500	99.5
Oregon	1,997,007	1,989,037	1,189,344	1,183,186	202,223	1,385,409	352	4,180	801,319	99.5
South Dakota	534,778	533,147	359,241	325,174	46,081	371,255	217	295	207,461	90.5
Texas	4,258,951	4,275,052	3,485,440	3,472,367	370,205	3,842,572	2,784	993	798,958	99.6
Utah	2,772,646	2,791,064	1,188,290	1,235,133	356,064	1,591,197	612	240	1,555,079	103.9
Washington	4,211,887	4,215,863	1,917,418	1,918,978	427,912	2,346,890	436	1,147	2,295,302	100.1
Wyoming	1,373,374	1,368,903	984,708	966,851	152,703	1,119,554	722	793	400,537	98.2

[1] Amounts reflected are cumulative obligations from inception of the program, including $3,035,258 obligations from "Loans, grants, and rural rehabilitation" funds. Loan advances represent charges to borrowers' accounts. The difference between obligations and advances represents noncash advances and transfers of accounts between States for collection purposes.

TABLE IV.—*Soil and water conservation: Direct and insured loans to individuals, number of borrowers, amount loaned, and payments, cumulative from Sept. 17, 1954, through Jan. 1, 1957*

State and territory	Total number of borrowers	Total amount loaned	Borrowers paid in full				Borrowers with unpaid balance as of Jan. 1, 1957					
			Number	Payments			Number	Scheduled installments (principal and interest)	Principal and interest payments			
				Total	Principal	Interest and insurance charges			Total	Regular and advance payments made on scheduled installments		Extra payments and refunds
										Amount	As percent of schedule	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
United States total	5,873	$28,140,290	370	$1,451,108	$1,396,706	$54,402	5,503	$4,453,769	$4,791,030	$4,147,206	93	$643,824
Alabama	65	285,390	4	12,161	11,500	661	61	55,548	67,798	60,783	109	7,015
Arizona	102	1,210,515	1	6,178	6,000	178	101	150,631	168,223	119,560	79	48,663
Arkansas	411	1,790,241	27	90,976	87,125	3,851	384	335,578	385,270	347,088	103	38,182
California	245	1,369,331	18	70,042	67,020	3,022	227	116,169	161,416	115,921	100	45,495
Colorado	104	467,487	14	41,852	40,450	1,402	90	63,877	61,308	45,927	72	15,381
Connecticut	1	4,900	0	0	0	0	1	758	767	767	101	0
Delaware	3	18,790	0	0	0	0	3	2,978	2,952	2,935	99	17
Florida	272	1,557,844	8	40,376	38,400	1,976	264	272,045	264,699	259,695	95	5,004
Georgia	247	1,043,690	23	83,088	79,350	3,738	224	171,660	178,095	156,845	91	21,250
Idaho	124	681,510	3	9,348	8,900	448	121	80,801	90,499	67,938	84	22,561
Illinois	86	226,322	6	17,643	17,050	593	80	31,272	30,845	30,251	97	594
Indiana	33	106,275	3	6,718	6,400	318	30	18,531	24,304	20,048	108	4,256
Iowa	73	246,715	5	9,466	9,170	296	68	34,866	45,474	38,481	110	6,993
Kansas	256	2,069,348	13	59,585	57,861	1,724	243	274,260	273,063	243,909	89	29,154
Kentucky	37	80,705	3	11,409	10,700	709	34	9,932	14,480	8,929	90	5,551
Louisiana	114	502,923	10	40,937	39,325	1,612	104	81,567	82,672	71,339	87	11,333
Maine	15	19,785	1	1,054	1,000	54	14	4,261	5,302	4,346	102	956
Maryland	19	80,785	0	0	0	0	19	18,509	9,733	9,208	50	525
Massachusetts	10	30,465	1	15,787	14,900	887	9	608	681	681	112	0
Michigan	112	547,440	3	4,012	3,965	47	109	78,155	99,199	92,397	118	6,802
Minnesota	31	80,650	3	6,693	6,450	243	28	8,507	8,730	6,790	80	1,940
Mississippi	306	1,224,067	20	44,327	42,555	1,772	286	244,163	239,256	219,740	90	19,516
Missouri	234	594,842	12	32,459	30,955	1,504	222	92,379	105,513	87,440	95	18,073
Montana	57	216,622	0	0	0	0	57	30,134	41,747	34,389	114	7,358
Nebraska	366	2,199,908	13	78,810	75,235	3,575	353	311,929	307,068	291,731	94	15,337

TABLE IV.—*Soil and water conservation: Direct and insured loans to individuals, number of borrowers, amount loaned, and payments, cumulative from Sept. 17, 1954, through Jan. 1, 1957*—Continued

State and territory	Total number of borrowers	Total amount loaned	Borrowers paid in full				Borrowers with unpaid balance as of Jan. 1, 1957					
			Number	Payments			Number	Scheduled installments (principal and interest)	Principal and interest payments			
				Total	Principal	Interest and insurance charges			Total	Regular and advance payments made on scheduled installments		Extra payments and refunds
										Amount	As percent of schedule	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Nevada	13	83,555	0	0	0	0	13	9,190	11,311	7,992	87	3,319
New Hampshire	0	0	0	0	0	0	0	0	0	0	0	0
New Jersey	45	200,565	1	6,315	6,000	315	44	46,047	48,535	48,318	105	217
New Mexico	202	1,296,515	22	147,562	141,985	5,577	180	204,950	222,258	161,508	79	60,750
New York	34	111,755	1	1,147	1,100	47	33	29,181	24,265	24,046	82	219
North Carolina	234	805,485	16	57,126	54,550	2,576	218	174,978	190,393	166,301	95	24,092
North Dakota	28	47,230	3	5,262	5,050	212	25	5,802	5,462	4,654	80	808
Ohio	21	82,670	3	6,663	6,350	313	18	16,757	19,812	18,495	110	1,317
Oklahoma	262	1,743,201	23	160,201	155,345	4,856	239	344,969	433,267	344,122	100	89,145
Oregon	126	402,635	7	12,736	12,150	586	119	44,138	53,260	47,069	107	6,191
Pennsylvania	36	67,305	2	6,049	5,900	149	34	8,924	7,982	7,973	89	9
Rhode Island	0	0	0	0	0	0	0	0	0	0	0	0
South Carolina	255	797,905	19	53,863	51,830	2,033	236	178,135	166,624	161,884	91	4,740
South Dakota	28	117,785	1	2,068	2,000	68	27	8,927	6,754	6,028	68	726
Tennessee	76	203,335	8	19,723	19,000	723	68	36,889	42,300	36,200	98	6,100
Texas	513	3,531,686	32	197,713	191,930	5,783	481	510,720	547,034	467,549	92	79,485
Utah	107	352,325	4	8,530	8,245	285	103	38,196	39,260	38,423	101	837
Vermont	1	3,500	0	0	0	0	1	595	349	349	59	0
Virginia	39	189,394	0	0	0	0	39	43,625	47,494	46,054	106	1,440
Washington	94	379,530	2	3,931	3,820	111	92	34,308	37,932	34,020	99	3,912
West Virginia	52	99,164	6	3,340	3,230	110	46	19,644	22,078	20,782	106	1,296
Wisconsin	50	100,630	4	3,560	3,425	135	46	15,962	21,150	19,595	123	1,555
Wyoming	46	207,920	1	12,771	12,000	771	45	39,065	22,364	18,428	47	3,936
Alaska	1	6,990	0	0	0	0	1	883	0	0	0	0
Hawaii	4	36,830	0	0	0	0	4	10,640	10,396	10,396	98	0
Puerto Rico	279	695,830	24	59,627	58,485	1,142	255	141,371	140,568	119,127	84	21,441
Virgin Islands	4	10,000	0	0	0	0	4	755	1,088	755	100	333

TABLE V.—*Soil and water conservation—Direct and insured loans to groups, number of groups, amount loaned, and payments, cumulative from Sept. 17, 1954, through Jan. 1, 1957*

State	Total number of groups	Total amount loaned	Groups paid in full				Groups with unpaid balance as of Jan. 1, 1957					
			Number	Payments			Number	Scheduled installments (principal and interest)	Principal and interest payments			
				Total	Principal	Interest and insurance charges			Total	Regular and advance payments made on scheduled installments		Extra payments and refunds
										Amount	As percent of schedule	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
United States total	72	$2,815,345	2	$12,315	$11,950	$365	70	$153,837	$180,784	$132,303	86	$48,481
Arizona	2	110,000	0	0	0	0	2	827	5,333	333	40	5,000
Arkansas	4	5,150	1	2,020	1,950	70	3	1,283	1,520	1,520	118	0
California	2	58,000	0	0	0	0	2	1,587	1,587	1,587	100	0
Colorado	9	227,650	0	0	0	0	9	13,115	28,430	10,742	82	17,688
Idaho	7	92,165	0	0	0	0	7	13,714	13,174	13,037	95	137
Kansas	1	100,000	0	0	0	0	1	1,308	1,308	1,308	100	0
Kentucky	2	492,100	0	0	0	0	2	11,982	0	0	0	0
Louisiana	1	30,000	0	0	0	0	1	6,903	369	259	4	110
Minnesota	2	33,000	0	0	0	0	2	6,567	5,377	4,756	72	621
Montana	3	525,000	0	0	0	0	3	23,338	12,295	12,295	53	0
Nevada	2	100,000	1	10,295	10,000	295	1	11,062	11,962	11,962	108	0
New Mexico	1	13,000	0	0	0	0	1	2,986	4,068	3,607	121	461
North Dakota	3	37,940	0	0	0	0	3	6,017	9,015	9,015	150	0
Oregon	4	83,850	0	0	0	0	4	7,739	9,079	9,079	117	0
Utah	9	374,090	0	0	0	0	9	7,898	18,625	6,265	79	12,360
Washington	11	320,350	0	0	0	0	11	19,275	33,327	23,846	124	9,481
Wyoming	9	213,050	0	0	0	0	9	18,236	25,315	22,692	124	2,623

FARM HOUSING LOANS

Title V of the Housing Act of 1949 was amended during the 84th Congress, 2d session, to extend the authority for making farm housing loans and grants for the 5-year period 1957 through 1961. A total of $450 million was authorized to be borrowed from the Treasury for loans for this 5-year period. During the fiscal year 1957, $21,290,884 was obligated for farm housing loans. This amount included $1,430,271 available from prior-year funds. No appropriated funds were available for grants.

It is estimated that a total of $30 million will be borrowed from the Treasury for use in 1958.

1. *Applications and loans.*—During the fiscal year 1957, a total of 9,923 applications were received. Applications on hand on June 30, 1957, totaled 3,226. The following are numbers and amounts of loans made under authority of section 502 of title V of the Housing Act of 1949 for the fiscal year 1957 and the estimate for the 1958 fiscal year.

Farm housing loans

Fiscal year	Number	Amount	Average loan
1957:			
Initial	3,163	$20,592,902	$6,510
Subsequent	195	697,982	3,373
Total	3,358	21,290,884	
1958 (estimated):			
Initial	4,405	28,650,000	6,510
Subsequent	385	1,350,000	3,375
Total	4,790	30,000,000	

2. *Use of loan funds.*—A total of 1,792 new dwellings at an estimated cost of $14,283,436 were planned by the 3,163 borrowers receiving initial loans. There were 780 dwellings to be repaired and 1,800 other farm buildings were planned to be constructed or repaired. Percentagewise, about 67 percent of the funds were planned to be used for new farm dwellings. The average planned construction cost of new dwellings was $7,971, including loan funds and cash contributions by borrowers, but not including any labor contribution by the borrower. This is a relatively low average dwelling cost and results from borrowers making extensive use of salvage and locally produced materials and utilizing a substantial amount of family labor to do the construction work. See table I for distribution by States.

3. *Loan repayments.*—As of December 31, 1956, $106,060,136 had been loaned to 20,830 borrowers under the farm housing program. Principal payments of $33,812,346 and interest payments of $15,268,634 had been made. In addition, contributions in the amount of $136,264 were applied to the accounts of 250 borrowers to assist them in developing adequate farms. Of this amount $45,250 was credited to principal and $91,014 to interest. Principal writeoffs and judgments totaled $26,993.

By December 31, 1956, 5,091 borrowers had paid their farm housing loans in full. As of the same date, cumulative annual installments in the amount of $25,242,063 were due from the 15,739 borrowers with outstanding loan balances. The regular principal and interest payments on these installments were $26,032,301, including $122,976 in contributions. This represents cumulative regular payments to cumulative installments of 103 percent. Extra payments and refunds of $2,003,736 were also applied to these borrowers' accounts. On December 31, a total of 35 percent of the borrowers with outstanding loan balances were ahead of schedule, an average of $353 and 15 percent were behind schedule, an average of $480.

See table II for distribution by States.

TABLE I.—*Farm housing loans: Funds obligated and furnished by borrowers, and use of funds, 1957 fiscal year*

State and territory	Loans to new borrowers															Number of loans to indebted borrowers	Amount of loans to indebted borrowers and loan costs [1]	Total amount of loans
	Number	Amount of funds			Use of funds													
					Dwellings				Other farm buildings				Water systems		Amount of fees			
					New		Repair		New		Repair							
					Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
United States total: Percent distribution				100.0		67.0		10.9		16.2		2.7		2.6	0.6			
Amount	3,163	$20,592,902	$739,751	$21,332,653	1,792	$14,283,436	780	$2,330,936	1,262	$3,445,283	538	$583,577	838	$561,477	$127,944	195	$697,982	$21,290,884
Alabama	207	1,372,260	67,744	1,440,004	153	1,201,448	34	113,785	43	87,705	4	6,660	50	27,075	3,331	14	60,934	1,433,194
Arizona	5	34,600	500	35,100	3	28,876	2	5,800	1	200	0	0	0	0	224	0	0	34,600
Arkansas	116	532,705	18,060	550,765	79	438,905	29	66,063	27	25,720	1	1,060	35	14,906	4,111	15	26,851	559,556
California	68	641,395	21,075	662,470	36	401,184	14	52,453	46	190,247	10	12,640	7	3,524	2,422	2	6,812	648,207
Colorado	10	66,600	3,905	70,505	4	31,352	5	22,283	4	14,858	0	0	1	1,000	1,012	0	646	67,246
Connecticut	2	20,000	3,645	23,645	1	11,645	0	0	1	11,000	0	0	1	1,000	0	0	0	20,000
Delaware	4	31,500	0	31,500	1	12,585	2	4,000	4	13,865	1	800	0	0	250	0	0	31,500
Florida	167	1,394,450	23,195	1,417,645	108	986,949	18	83,635	95	295,225	71	29,167	32	17,189	5,480	5	25,907	1,420,357
Georgia	203	1,159,060	27,215	1,186,275	128	889,410	53	146,994	53	95,940	9	5,145	50	42,715	6,071	16	59,682	1,218,742
Idaho	39	374,860	3,848	378,708	21	234,368	14	83,575	16	37,470	13	8,070	7	13,450	1,775	3	11,468	386,328
Illinois	43	242,700	9,600	252,300	18	147,377	14	28,655	28	62,494	9	6,885	8	6,310	579	2	8,702	251,402
Indiana	26	157,340	6,900	164,240	13	105,027	6	21,939	15	28,940	13	6,700	2	850	784	5	14,653	171,993
Iowa	36	184,805	2,950	187,755	8	64,514	14	36,600	27	62,240	20	15,515	9	7,605	1,281	3	14,251	199,056
Kansas	38	218,325	5,119	223,444	13	122,454	12	35,844	25	46,433	18	10,125	11	6,234	2,354	0	281	218,606
Kentucky	59	374,340	18,930	393,270	30	272,936	18	61,443	29	37,535	11	7,600	20	11,902	1,854	2	3,540	377,880
Louisiana	126	863,535	35,185	898,720	100	796,577	19	58,690	14	29,900	3	1,735	7	4,225	7,593	12	51,843	915,378
Maine	59	399,050	0	399,050	0	0	15	23,766	45	297,634	35	67,785	6	6,250	3,615	4	6,240	405,290
Maryland	24	203,340	11,692	215,032	8	82,595	10	26,254	17	82,817	7	5,882	14	15,929	1,555	3	16,480	219,820
Massachusetts	6	29,650	2,237	31,887	0	0	3	5,752	4	24,695	1	1,150	0	0	290	0	15	29,665
Michigan	50	322,660	15,836	338,496	11	105,289	14	37,745	52	114,562	33	75,407	7	3,208	2,285	8	24,783	347,443
Minnesota	37	198,360	14,581	212,941	12	105,760	9	25,571	18	61,679	18	12,356	7	5,810	1,765	3	25,985	224,345
Mississippi	415	2,155,170	91,505	2,246,675	274	1,749,861	101	234,493	83	163,864	9	5,097	124	77,151	16,209	14	37,137	2,192,307
Missouri	213	1,033,850	30,481	1,064,331	94	607,309	67	133,669	92	226,592	20	25,345	69	65,071	6,345	9	18,274	1,052,124
Montana	25	253,995	24,326	278,321	17	223,616	9	29,386	8	20,690	5	1,691	3	2,213	725	0	1,521	255,516
Nebraska	13	80,510	1,000	81,510	2	23,350	7	34,745	6	15,736	5	6,347	2	1,026	306	2	15,855	96,365

See footnotes at end of table, p. 00.

TABLE I.—*Farm housing loans: Funds obligated and furnished by borrowers, and use of funds, 1957 fiscal year*—Continued

State and territory	Loans to new borrowers														Number of loans to indebted borrowers	Amount of loans to indebted borrowers and loan costs [1]	Total amount of loans
	Number	Amount of funds			Use of funds												
					Dwellings				Other farm buildings				Water systems		Amount of fees		
					New		Repair		New		Repair						
		Loans	Furnished by borrower	Total	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
Nevada	3	$29,165	505	$29,670	3	$29,144	1	$240	0	$0	0	0	1	$30	$256	0	$1	$29,166
New Hampshire	2	5,360	0	5,360	0	0	0	0	3	5,250	0	0	0	0	110	0	0	5,360
New Jersey	17	145,925	15,585	161,510	4	44,800	6	24,450	9	82,285	14	$9,075	0	0	900	3	12,962	158,887
New Mexico	22	181,290	4,415	185,705	16	152,938	5	17,054	3	7,800	3	2,000	8	5,186	727	1	1,470	182,760
New York	19	104,240	0	104,240	0	0	3	5,945	20	73,755	8	22,560	0	0	1,980	3	16,500	120,740
North Carolina	124	920,640	41,683	962,323	72	678,906	35	143,286	49	103,303	17	7,109	51	23,836	5,883	6	24,776	945,416
North Dakota	88	873,825	21,650	895,475	57	615,684	25	132,260	27	76,510	33	19,143	33	43,100	8,778	3	10,920	884,745
Ohio	38	199,380	7,929	207,309	8	82,505	13	24,779	38	83,550	9	9,755	10	5,625	1,095	3	13,700	213,080
Oklahoma	94	523,145	12,405	535,550	55	381,961	21	55,536	37	80,157	7	2,335	29	12,778	2,783	5	11,679	534,824
Oregon	27	230,795	12,797	243,592	17	153,189	3	12,925	20	70,967	4	2,740	2	2,500	1,271	3	6,100	236,895
Pennsylvania	45	261,010	1,247	262,257	5	26,180	19	39,037	35	95,999	41	95,186	9	2,523	3,332	5	18,252	279,262
Rhode Island	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
South Carolina	74	481,060	15,990	497,050	45	389,919	18	50,421	20	44,397	3	5,008	14	4,900	2,405	6	25,354	506,414
South Dakota	18	147,015	0	147,015	9	103,108	6	10,086	5	14,040	5	11,550	15	7,020	1,211	1	10,464	157,479
Tennessee	182	1,036,015	34,029	1,070,044	121	811,377	38	103,442	55	91,997	11	5,865	92	50,222	7,141	8	20,321	1,056,336
Texas	108	836,160	28,198	864,358	68	648,403	27	104,087	30	83,137	6	3,766	30	20,315	4,650	6	15,243	851,403
Utah	47	335,370	27,108	362,478	23	237,630	22	92,938	8	28,205	2	700	5	2,145	860	5	25,494	360,864
Vermont	3	33,600	2,500	36,100	0	0	0	0	6	36,025	0	0	0	0	75	0	0	33,600
Virginia	34	293,697	4,960	298,657	23	203,392	7	19,610	22	58,445	16	4,135	17	10,255	2,820	2	6,808	300,505
Washington	37	333,260	11,050	344,310	21	213,834	2	4,900	23	106,462	3	7,990	6	8,438	2,686	0	12	333,272
West Virginia	32	198,440	5,000	203,440	13	111,295	7	27,175	18	52,135	4	5,350	10	6,095	1,390	7	22,964	221,404
Wisconsin	58	323,540	10,995	334,535	12	100,145	20	32,675	51	138,775	31	51,854	12	7,599	3,487	2	3,892	327,432
Wyoming	25	244,990	15,111	260,101	17	193,322	8	45,950	6	11,240	2	2,460	8	6,317	812	1	4,801	249,791
Alaska	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hawaii	16	128,100	7,465	135,565	19	92,447	1	4,500	15	36,308	2	1,234	0	0	1,076	2	11,050	139,150
Puerto Rico	58	369,820	19,600	389,420	49	358,870	4	6,500	9	16,500	1	600	13	6,950	0	0	1,359	371,179
Virgin Islands	1	12,000	0	12,000	1	11,000	0	0	0	0	0	0	1	1,000	0	1	2,000	14,000

[1] "Loan costs" represent the amounts advanced to borrowers for such purposes as the payment of taxes, insurance premiums, etc. Loan costs appear opposite some States reporting no numbers of loans.

TABLE II.—*Farm housing loans: Number of borrowers, amount loaned, and payments, cumulative through Dec. 31, 1956*

State and Territory	Total number of borrowers	Total amount loaned	Borrowers paid in full				Borrowers with unpaid balance as of Dec. 31, 1956					
				Payments					Principal and interest payments			
			Number	Total	Principal [1]	Interest [2]	Number	Scheduled installments (principal and interest)	Total	Regular and advance payments made on scheduled installments		Extra payments and refunds
										Amount [3]	As percent of schedule	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
United States total	20,830	$106,060,136	5,091	$21,208,200	$18,996,140	$2,212,060	15,739	$25,242,063	$28,036,037	$26,032,301	103	$2,003,736
Alabama	1,159	6,370,361	245	1,260,102	1,139,208	120,894	914	1,502,974	1,734,936	1,638,432	109	96,504
Arizona	110	766,120	39	246,871	222,977	23,894	71	170,225	170,285	164,073	96	6,212
Arkansas	1,086	3,672,790	266	798,605	719,310	79,295	820	840,894	974,882	898,862	107	76,020
California	497	2,959,095	185	889,769	792,363	97,406	312	648,988	696,421	654,116	101	42,305
Colorado	237	1,341,857	66	294,523	261,916	32,607	171	321,311	315,943	295,339	92	20,604
Connecticut	41	170,656	19	61,020	55,065	5,955	22	33,813	51,313	32,514	96	18,799
Delaware	6	26,290	4	20,989	18,640	2,349	2	2,307	1,891	1,891	82	0
Florida	418	2,452,039	107	491,066	442,876	48,190	311	586,013	635,093	598,509	102	36,584
Georgia	1,273	6,232,693	306	1,235,410	1,098,480	136,930	967	1,570,441	1,803,178	1,644,959	105	158,219
Idaho	365	2,229,095	74	369,948	328,166	41,782	291	588,897	627,376	594,458	101	32,918
Illinois	407	1,567,695	146	467,538	417,906	49,632	261	357,697	386,344	371,355	104	14,989
Indiana	343	1,696,593	109	361,626	327,361	34,265	234	396,363	465,290	436,515	110	28,775
Iowa	394	1,803,193	97	357,292	318,554	38,738	297	395,489	444,009	404,653	102	39,356
Kansas	292	1,570,534	86	399,368	356,759	42,609	206	360,707	385,552	351,222	97	34,330
Kentucky	478	2,535,346	85	361,656	325,758	35,898	393	638,479	759,984	698,700	109	61,284
Louisiana	721	3,749,107	151	667,512	598,120	69,392	570	999,970	1,128,548	1,064,953	106	63,595
Maine	294	1,246,573	79	266,021	236,347	29,674	215	300,078	328,510	305,828	102	22,682
Maryland	163	904,151	51	251,057	224,899	26,158	112	174,361	177,810	166,665	96	11,144
Massachusetts	25	131,458	7	31,504	27,855	3,649	18	26,008	24,277	22,479	86	1,798
Michigan	469	2,298,402	108	437,952	383,330	54,622	361	571,480	631,547	603,135	106	28,412
Minnesota	358	1,472,165	86	342,316	308,261	34,055	272	299,858	323,999	301,157	100	22,842
Mississippi	1,424	6,158,905	279	982,902	889,699	93,203	1,145	1,416,365	1,582,221	1,495,511	106	86,710
Missouri	1,074	3,888,391	291	855,880	768,814	87,066	783	816,164	908,530	844,001	103	64,529
Montana	203	1,260,577	44	239,838	216,944	22,894	159	291,371	324,065	282,774	97	41,291
Nebraska	387	1,726,157	146	584,317	517,666	66,651	241	382,255	372,530	353,089	92	19,441

See footnotes at end of table, p. 00.

TABLE II.—*Farm housing loans: Number of borrowers, amount loaned, and payments, cumulative through Dec. 31, 1956*—Continued

State and Territory	Total number of borrowers	Total amount loaned	Borrowers paid in full				Borrowers with unpaid balance as of Dec. 31, 1956					
				Payments					Principal and interest payments			
			Number	Total	Principal [1]	Interest [2]	Number	Scheduled installments (principal and interest)	Total	Regular and advance payments made on scheduled installments		Extra payments and refunds
										Amount [3]	As percent of schedule	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Nevada	24	169,778	4	24,384	20,588	3,796	20	48,041	46,803	46,451	97	352
New Hampshire	19	76,220	5	12,834	11,355	1,479	14	13,149	12,685	12,085	92	600
New Jersey	178	884,916	58	219,997	196,369	23,628	120	203,597	208,540	202,979	100	5,561
New Mexico	259	1,470,014	62	229,517	203,236	26,281	197	375,376	385,884	361,417	96	24,467
New York	180	973,777	49	197,384	177,439	19,945	131	219,632	232,886	208,895	95	23,991
North Carolina	840	4,872,892	164	729,821	657,929	71,892	676	1,109,464	1,371,161	1,237,329	112	133,832
North Dakota	228	1,531,735	26	118,892	105,669	13,223	202	357,353	356,909	331,315	93	25,594
Ohio	237	1,049,080	104	386,884	348,669	38,215	133	190,567	215,772	206,913	109	8,859
Oklahoma	1,053	5,264,808	261	1,069,608	963,155	106,453	792	1,297,258	1,393,710	1,279,565	99	114,145
Oregon	232	1,414,521	73	318,829	285,726	33,103	159	357,538	395,821	359,034	100	36,787
Pennsylvania	401	1,652,397	141	409,840	362,868	46,972	260	389,110	413,791	384,286	99	29,505
Rhode Island	2	5,570	0	0	0	0	2	1,425	1,595	1,413	99	182
South Carolina	685	4,066,220	102	445,141	399,458	45,683	583	1,075,216	1,244,253	1,148,714	107	95,539
South Dakota	244	1,309,382	60	299,682	266,538	33,144	184	293,312	264,667	237,466	81	27,201
Tennessee	681	3,497,343	147	621,654	555,539	66,115	534	816,456	950,867	892,397	109	58,470
Texas	1,227	7,048,721	293	1,481,969	1,332,341	149,628	934	1,766,952	1,904,876	1,778,678	101	126,198
Utah	284	1,787,827	56	345,344	304,952	40,392	228	477,420	535,612	497,911	104	37,701
Vermont	19	71,375	5	20,123	18,035	2,088	14	15,615	17,450	16,972	109	478
Virginia	378	2,433,747	79	386,713	344,498	42,215	299	600,773	667,999	616,539	103	51,460
Washington	226	1,505,644	55	315,939	280,067	35,872	171	372,387	390,722	370,384	99	20,338
West Virginia	270	1,799,360	38	237,292	213,099	24,193	232	468,465	568,698	498,092	106	70,606
Wisconsin	334	1,542,981	77	284,976	254,737	30,239	257	346,168	395,362	360,923	104	34,439
Wyoming	155	910,835	44	221,719	198,613	23,106	111	210,797	204,279	195,427	93	8,852
Alaska	1	1,000	1	1,105	1,000	105	0	0	0	0	0	0
Hawaii	110	892,066	27	178,357	155,794	22,563	83	202,291	242,582	218,925	108	23,657
Puerto Rico	320	1,504,556	77	343,720	311,804	31,916	243	327,340	341,338	328,759	100	12,579
Virgin Islands	19	98,218	7	31,394	29,388	2,006	12	13,853	17,241	14,241	103	3,000

[1] Includes contributions, authorized by statute in the form of principal credits, in the amount of $5,057. Also includes writeoffs in the amount of $5,728 and judgments in the amount of $21,265.

[2] Includes interest contributions in the amount of $8,231 and judgments in the amount of $2,042.

[3] Includes principal and interest contributions in the amount of $122,976.

Disaster Loans, Etc., Revolving Fund, Department of Agriculture

STATUS OF PROGRAM

Establishment of fund

Public Law 38, approved April 6, 1949, abolished the Regional Agricultural Credit Corporation and established the disaster loan revolving fund under the Secretary of Agriculture from the assets of the Corporation so abolished. The assets amounted to $45,494,334.

Additional appropriations

Public Law 202, approved October 24, 1951, appropriated $30 million for this fund. Public Law 175, 83d Congress, approved July 31, 1953, appropriated $130 million as an addition to this fund. Of this amount, $40 million was specified for the furnishing of feed in disaster areas, which was later increased (Public Law 357, approved May 11, 1954) to $50 million with provision for furnishing emergency feed and seed assistance by means of advances to States or agencies thereof or otherwise. Public Law 85–58, approved June 21, 1957, authorized the use of an additional $11,500,000 of the existing revolving fund for furnishing feed in the disaster areas.

Emergency assistance programs

(1) *Production emergency loans (including loans in the Great Plains area).*—Pursuant to Public Law 38, loans are made to eligible farmers and stockmen in designated areas at 3 percent interest who have suffered damage as the result of floods, storms, freezes, droughts, or similar disasters and who are unable to obtain needed credit from banks or other established sources to enable them to continue their operations. Public Law 38 also authorized loans to bona fide fur farmers, which authority expired June 30, 1953, except for further supplementary advances to farmers presently indebted as authorized by Public Law 255, approved August 13, 1953. Public Law 655, 81st Congress, provided for loans to orchardists in the State of Washington which authority expired August 5, 1953.

(2) *Economic emergency loans.*—Public Law 115, 83d Congress, approved July 14, 1953, authorized loans (which are made at 3 percent interest) in any disaster area declared by the President under Public Law 875 (42 U. S. C. 1855), if the Secretary finds that an economic disaster has also caused a need for agricultural credit that cannot be met temporarily by regularly established lending institutions, including the regular programs of the Farmers' Home Administration.

(3) *Special livestock loans.*—Public Law 115 also authorizes loans at 5 percent interest to established livestock producers who are temporarily unable to secure credit from recognized lenders and who have a reasonable chance of working out their difficulties with supplementary financing. This authority was originally for 2 years subsequent to July 14, 1953, but was extended through 1957 for initial loans and through 1959 for subsequent loans by Public Law 166, approved July 15, 1955.

(4) *Special emergency loans.*—Public Law 727, approved August 31, 1954, authorized the Secretary until June 30, 1955, to make special emergency loans up to a total of $15 million in areas where he found a need for credit which could not be met by regular financial institutions, the Farmers' Home Administration under its regular loan programs, or through authorities contained in Public Law 38. Such loans are made at 3 percent interest. Activity under this program was extended through the 1956 and 1957 fiscal years by Public Law 117, approved June 30, 1955. The program was again extended by Public Law 878 approved August 1, 1956, through the fiscal year 1959 and the limitation increased to $65 million.

(5) *Emergency assistance in furnishing feed and seed.*—Public Law 115 authorized the furnishing of feed for livestock and seed for planting to established farmers and ranchers and stockmen in connection with any major disaster determined by the President to warrant Federal assistance under Public Law 875 (42 U. S. C. 1855). Under this authority, feed grain and concentrates, principally cottonseed meal, corn, wheat, oats, and mixed feeds, were furnished at less than market cost to eligible farmers in designated areas through the facilities of the Commodity Stabilization Service, the Farmers' Home Administration, and special State and local drought committees. Beginning with fiscal year 1955, under authority of section 407 of the Agricultural Act of 1949, amended by Public Law 480, 83d Congress, the unrecovered costs of feed furnished and related handling and transportation costs are borne by the Commodity Credit Corporation, as described in the budget estimates for the Corporation. Administrative expenses are

chargeable to the $50 million limitation furnished by Public Law 175 and the added $11,500,000 imitation authorized by Public Law 85–58, as described above.

In the fiscal years 1954, 1955, and 1956, the emergency hay program was conducted through agreements with States under which the Department contributed a definite sum to the State to defray one-half the cost of distribution of the hay (not to exceed $10 per ton) and the State assumed full responsibility for purchasing and distributing the hay to farmers eligible. The program in 1957 was conducted by the Farmers' Home Administration whose county committees were responsible for determining the eligibility of applicants and approving the amount of assistance. Agreements are entered into with States in specified amounts. Assistance to individual farmers was based on a Federal contribution of $7.50 per ton of hay and roughage actually purchased by farmers. Certificates redeemable for cash were issued by the Farmers' Home Administration. Advances were made to States to enable the States to redeem these certificates on which certification was made by the farmer and the dealer that the tonnage specified had been purchased.

The unobligated balance of the $50 million limitation for hay, feed, and seed assistance as of July 1, 1956, was $11,801,079. In addition, there were accounts receivable of $254,217 representing claims and freight charge adjustments on prior-year programs. On June 30, 1957, there was an unobligated balance of $349,007 remaining from the previous $50 million limitation, and $3,087,290 remaining of the added $11,500,000 authorization contained in Public Law 85–58.

Special agricultural conservation program assistance in disaster areas

In addition to the above emergency disaster activities financed in whole or in part from this fund, special conservation assistance is also provided farmers and ranchers in disaster areas. This work is explained in more detail in the justifications of the Agricultural Conservation Program Service.

Assistance to States in wind erosion control, fiscal year 1954

Under the general statutory authority of Public Law 875, the Department, in March 1954, was authorized to use a portion of the $10 million previously allocated to it from the President's disaster fund for the hay program, to provide financial assistance on a reimbursable basis to States and local governments in carrying out their own programs of wind erosion control. Under the program $200,000 was made available to Kansas under an agreement which expired on June 1, 1954. Kansas actually used $5,800, and the balance of the $200,000 was returned to the Department. The State of Kansas has subsequently repaid the $5,800 advance.

Cumulative activity under the various loan authorizations to June 30, 1957

	Principal advances	Principal maturities	Principal repayments	Principal outstanding	Interest payments	Percent, principal repayments to maturities
Production emergency loans	$260,475,677	$218,293,434	$200,079,733	$59,095,617	$6,244,626	91.7
Economic emergency loans	95,580,285	87,701,665	77,754,341	17,783,628	2,436,417	88.7
Special emergency loans	24,617,650	15,271,227	13,867,126	10,750,385	268,027	90.8
Fur loans	5,566,390	5,513,829	5,163,369	398,193	279,207	93.6
Orchard loans	267,130	267,130	264,241	2,889	5,957	98.9
Special livestock loans	78,630,221	66,823,495	54,265,399	24,246,334	3,412,774	81.2

Since inception of the various loan programs, principal writeoffs to June 30, 1957, totaled $953,395. A total of $512,703 has been reduced to judgment. In addition to the programs listed above, the Farmers' Home Administration is servicing the loans receivable of the Regional Agricultural Credit Corporation outstanding at the time this Corporation was abolished. A total of $310,849 in principal and interest has been collected on these loans to June 30, 1957, principal writeoffs totaled $769,428, and $37,583 principal has been reduced to judgment.

Except for the Regional Agricultural Credit Corporation loans, there has been no general authority to write off uncollectible balances of loans made under authorities contained in Public Law 38, except some writeoffs that are permissible under bankruptcy laws and other specific legislation. Public Law 878, approved August 1, 1956, amending the Bankhead-Jones Farm Tenant Act, extends the

cancellation, compromise, and adjustment authority previously available under that act, and broadens the authorities to include loans made under Public Law 38. It is expected that there will be considerable use of the new writeoff authority in connection with emergency and special livestock loans.

1957 loan program

During the 1957 fiscal year a total of $66,199,603 was obligated for production and economic emergency, special emergency, special livestock and fur loans. The heaviest activity in the production emergency program continued to be in the Southwest and middle Great Plains States, where effects of long-time drought continued to create a heavy demand for loans. The special loan program of emergency loans in the Great Plains area totaled $9,328,226, and initial loans were made to 889 borrowers. Those borrowers all operated under long-term and annual farm and home plans worked out with Farmers' Home Administration county supervisors. In addition, a large volume of production emergency loans was made in the Great Plains area to individuals for whom long-term farm and home plans were not developed. The principal activity under the economic emergency loan authorities was in the State of Texas. Special emergency loans were made in 16 States, the largest activity being $3,031,000 in North Dakota. Special livestock loan activity was less than in the 1956 fiscal year. About 77 percent of the total was loaned to individuals already indebted.

Emergency, special livestock, and other loans approved and obligated from the revolving fund during the 1957 fiscal year were as follows:

	Initial		Subsequent		Total	
	Number	Amount	Number	Amount	Number	Amount
Production emergency	8,106	$22,790,363	6,325	$16,368,929	14,431	$39,159,292
Economic emergency	713	847,670	3,503	5,552,491	4,216	6,400,161
Special emergency	7,531	7,482,140	1,106	2,211,797	8,637	9,693,937
Special livestock	171	2,444,230	977	8,417,433	1,148	10,861,663
Fur	0	0	8	84,550	8	84,550
Total	16,521	33,564,403	11,919	32,635,200	28,440	66,199,603

1958 loan program

During the 1958 fiscal year, production, economic and special emergency loans will be provided on the same basis as in 1957. The production emergency loan activity during the year is expected to be somewhat less than in the fiscal year 1957. This also applies to economic emergency loans which are made only in areas designated by the President as eligible for assistance under Public Law 875. There undoubtedly will be considerable demand for these loans from borrowers already indebted.

Special livestock loans will be available for farmers, ranchers, and stockmen already indebted to continue their livestock operations during the 1958 fiscal year. The authority to make loans to new borrowers expired on July 14, 1957.

Many of the livestock men receiving loans in the past are experiencing great difficulty in meeting their obligations, principally because of the prolonged nature of the disaster and their involved financial situations. It is expected that losses on these loans will be substantial. In many cases the operators are in such financial distress that there is little likelihood that they will ever be able to repay their loans in full. The situation with respect to repayments on all emergency loans is relatively good.

Statement of funds available and use, by fiscal year from inception of fund on Apr. 6, 1949, to June 30, 1957, and estimates for fiscal years 1958 and 1959 [1]

	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958 estimated	1959 estimated
Funds available:											
By appropriation:											
For establishment of revolving fund for production disaster loans and transfer of net assets (cash) of the regional Agricultural Credit Corporation to the fund (Public Law 38, approved Apr. 6, 1949) [2]	$45,494,334										
For flood rehabilitation in the Midwest area (Public Law 202, approved Oct. 24, 1951)				$30,000,000							
For assistance to farmers and stockmen through economic disaster loans, special livestock loans, and emergency assistance in furnishing feed and seed (Public Law 175, approved July 31, 1953)						$130,000,000					
Balance available from prior fiscal year		$44,257,538	$13,821,409	15,436,291	$32,617,589	17,184,381	$57,859,016	$40,107,520	$35,555,795	$25,931,261	$34,875,911
Receipts:											
Loan principal repayments:											
Production emergency loans		1,293,772	21,016,406	19,215,624	28,570,432	36,753,700	31,135,342	27,955,997	31,525,634	34,000,000	29,000,000
Economic emergency loans						453,607	21,373,577	35,687,287	19,708,840	7,000,000	5,300,000
Special livestock loans						2,991,415	19,870,276	17,367,293	13,630,699	9,000,000	8,000,000
Special emergency loans							13,852	1,525,143	12,058,525	8,400,000	11,200,000
Fur loans		243,019	1,282,416	986,456	1,044,172	824,189	431,852	270,464	47,492	66,000	56,000
Orchard loans			5,420	92,245	74,580	91,995					
Regional Agricultural Credit Corporation loans		18,624	86,233	41,694	7,316	6,393	5,992	7,984	4,577	4,000	4,000
Interest and other collections		74,812	640,200	673,210	898,125	1,248,118	2,697,583	3,727,763	3,034,478	3,496,920	2,500,700
Total receipts		1,630,227	23,030,675	21,009,229	30,594,625	42,369,507	75,528,474	86,541,931	80,010,245	61,966,920	56,060,700
Total available	45,494,334	45,887,765	36,852,084	66,445,520	63,212,214	189,553,888	133,387,490	126,649,451	115,566,040	87,898,181	90,936,611

Obligations:											
Loans made:											
Production emergency loans	974,948	29,833,887	19,198,873	31,491,775	43,225,067	31,812,991	28,402,293	37,030,315	39,159,293	27,617,000	30,400,000
Economic emergency loans						26,521,133	39,584,651	23,059,006	6,400,161	4,000,000	4,000,000
Special livestock loans						35,429,749	19,413,325	13,440,685	10,861,663	5,000,000	3,600,000
Special emergency loans							1,550,821	13,381,813	9,693,937	12,000,000	12,000,000
Fur loans	239,442	1,746,890	1,093,702	902,490	780,240	299,600	175,460	81,475	84,550	50,000	
Orchard loans			88,905	73,645	89,290	15,290					
Hay and roughage program						[2] 7,700,024	[2] 6,817		17,750,859		
Transportation and other costs in connection with emergency feed furnished to farmers and stockmen						[3] 27,900,000					
Administrative expenses:											
Loan programs	22,406	485,579	1,034,313	1,360,021	1,933,236	2,016,085	2,398,595	3,291,189	3,316,944	3,677,270	3,676,600
Emergency feed program							1,748,008	809,173	2,367,372	678,000	461,000
Total obligations	1,236,796	32,066,356	21,415,793	33,827,931	46,027,833	131,694,872	93,279,970	91,093,656	89,634,779	53,022,270	54,137,600
Unobligated balance	44,257,538	13,821,409	15,436,291	32,617,589	17,184,381	57,859,016	40,107,520	35,555,795	25,931,261	34,875,911	36,799,011

[1] Exclusive of accrued interest on loans and miscellaneous accounts receivable.
[2] In addition, net assets (other than cash) of $363,811 were acquired from the regional Agricultural Credit Corporation.
[3] These figures have been adjusted to take into account obligations canceled as well as refunds from States in each fiscal year.

TABLE I.—*Loans made from the disaster loan revolving fund under Public Law 38, as amended, during 1957 fiscal year*

State and Territory	Production emergency loans		Economic emergency loans		Special emergency loans		Special livestock loans		Fur loans		Total loans	
	Number (1)	Amount (2)	Number (3)	Amount (4)	Number (5)	Amount (6)	Number (7)	Amount (8)	Number (9)	Amount (10)	Number (11)	Amount (12)
United States total	14,431	$39,159,292	4,216	$6,400,161	8,637	$9,693,937	1,148	$10,861,663	8	$84,550	28,440	$66,199,603
Initial loans	8,106	22,790,363	713	847,670	7,531	7,482,140	171	2,444,230	0	0	16,521	33,564,403
Subsequent loans	6,325	16,315,573	3,503	5,552,491	1,106	2,211,350	977	8,417,433	8	84,550	11,919	32,581,397
Loan costs [1]		53,356		0		447		0		0		53,803
Alabama	16	46,621	1	11,275	3	3,570	4	14,200	0	0	24	75,666
Arizona	0	0	0	0	0	0	3	23,620	0	0	3	23,620
Arkansas	85	132,839	360	415,340	34	30,542	12	14,750	0	0	491	593,471
California	21	206,554	0	0	0	0	5	136,960	0	0	26	343,514
Colorado	819	2,767,300	0	0	19	66,994	120	1,348,100	3	27,600	961	4,209,994
Connecticut	5	43,685	0	0	0	0	0	0	0	0	5	43,685
Delaware	5	24,900	0	0	0	0	0	0	0	0	5	24,900
Florida	30	310,116	2	15,000	0	0	12	151,500	0	0	44	476,616
Georgia	133	277,960	0	0	31	59,300	3	18,700	0	0	167	355,960
Idaho	15	140,881	0	0	53	181,635	10	231,205	0	0	78	553,721
Illinois	0	0	0	0	4	5,350	0	0	0	0	4	5,350
Indiana	0	2	0	0	0	6	0	0	0	0	0	8
Iowa	25	18,458	0	0	0	102	0	0	0	0	25	18,560
Kansas	1,054	4,226,057	88	125,310	0	0	38	875,915	0	0	1,180	5,227,282
Kentucky	3	1,253	3	2,150	0	0	4	5,400	0	0	10	8,803
Louisiana	77	106,126	26	59,025	0	0	0	0	0	0	103	165,151
Maine	0	0	1	500	791	2,306,105	0	0	0	0	792	2,306,605
Maryland	3	10,500	0	0	0	0	0	0	0	0	3	10,500
Massachusetts	9	41,388	0	0	0	0	0	0	0	0	9	41,388
Michigan	22	141,540	0	0	0	0	0	0	4	38,000	26	179,540
Minnesota	148	143,942	0	0	208	263,587	0	0	0	0	356	407,529
Mississippi	62	122,195	332	217,685	402	185,620	0	0	0	0	796	525,500
Missouri	250	294,936	115	106,825	776	770,370	58	92,050	0	0	1,199	1,264,181
Montana	27	63,996	0	0	0	0	56	608,225	0	0	83	672,221
Nebraska	0	0	0	0	501	541,571	0	0	0	0	501	541,571
Nevada	1	6,873	0	0	0	0	4	142,965	0	0	5	149,838
New Hampshire	2	17,840	0	0	0	0	0	0	0	0	2	17,840
New Jersey	2	5,512	30	135,560	0	0	3	2,900	0	0	35	143,972
New Mexico	215	574,995	21	54,155	0	0	88	978,240	0	0	324	1,607,390
New York	1	2,500	0	0	17	114,905	0	0	1	18,950	19	136,355
North Carolina	185	306,030	91	26,950	1,042	991,235	0	0	0	0	1,318	1,324,215
North Dakota	27	33,140	0	0	3,348	3,030,715	0	0	0	0	3,375	3,063,853
Ohio	35	95,210	0	0	0	0	1	5,500	0	0	36	100,710
Oklahoma	854	1,432,108	274	281,725	0	0	98	663,228	0	0	1,226	2,377,061

Oregon	7	53,366	0	0	0	0	7	63,065	0	0	14	116,431
Pennsylvania	80	160,746	0	0	0	0	3	1,900	0	0	83	162,646
Rhode Island	0	0	0	0	0	0	0	0	0	0	0	0
South Carolina	366	455,530	0	0	408	215,590	0	0	0	0	774	671,120
South Dakota	82	99,390	0	0	1,000	926,740	14	93,820	0	0	1,096	1,119,950
Tennessee	3	1,300	28	10,440	0	0	5	7,150	0	0	36	18,890
Texas	9,230	24,906,728	2,841	4,936,971	0	0	556	4,761,540	0	0	12,627	34,605,239
Utah	0	67	0	0	0	0	24	385,320	0	0	24	385,387
Vermont	0	0	0	0	0	0	0	0	0	0	0	0
Virginia	12	179,345	3	1,260	0	0	1	2,610	0	0	16	183,205
Washington	114	698,222	0	0	0	0	1	8,090	0	0	115	706,312
West Virginia	2	50,850	0	0	0	0	1	300	0	0	3	51,150
Wisconsin	0	2	0	0	0	0	0	0	0	0	0	2
Wyoming	52	179,769	0	0	0	0	17	224,410	0	0	69	404,179
Alaska	0	0	0	0	0	0	0	0	0	0	0	0
Hawaii	0	0	0	0	0	0	0	0	0	0	0	0
Puerto Rico	352	778,520	0	0	0	0	0	0	0	0	352	778,520
Virgin Islands	0	0	0	0	0	0	0	0	0	0	0	0
	Average amount of loans											
Initial		$2,812		$1,189		$994		$14,294				
Subsequent		2,580		1,585		1,999		8,616		$10,569		

[1] "Loan costs" represent the amounts advanced to borrowers for such purposes as the payment of taxes, insurance premiums, etc. Loan costs will appear opposite some States reporting no numbers of loans.

TABLE II.—*Loans made from the disaster loan revolving fund under Public Law 38, as amended, cumulative from inception of each program through June 30, 1957*

State and Territory	Production emergency loans		Economic emergency loans		Special emergency loans		Special livestock loans		Fur loans		Total loans	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	1	2	3	4	5	6	7	8	9	10	11	12
United States total	172,766	$261,396,571	68,297	$95,564,951	23,121	$24,626,572	9,194	$79,145,422	649	$5,403,850	274,027	$466,137,366
Initial loans	133,408	200,313,754	48,584	74,277,574	21,826	22,274,128	4,700	46,558,623	324	2,873,727	208,842	346,297,806
Subsequent loans	39,358	60,873,880	19,713	21,287,374	1,295	2,351,800	4,494	32,586,773	325	2,530,110	65,185	119,629,937
Loan costs [1]		208,937		3		644		26		13		209,623
Alabama	7,920	5,718,380	244	275,065	327	201,015	46	251,710	0	0	8,537	6,446,170
Arizona	28	69,419	0	0	40	197,335	38	940,435	0	0	106	1,207,189
Arkansas	13,119	19,760,816	8,840	12,017,860	485	438,462	595	872,465	0	0	23,039	33,089,603
California	972	5,395,373	0	0	0	0	29	928,787	3	16,600	1,004	6,340,760
Colorado	8,338	9,716,111	274	408,055	97	314,087	748	9,307,263	141	1,392,402	4,598	21,137,918
Connecticut	49	251,683	0	0	0	0	0	0	0	0	49	251,683
Delaware	38	128,605	0	0	0	0	0	0	0	0	38	128,605
Florida	503	3,521,276	81	695,315	0	0	77	1,049,615	0	0	661	5,266,206
Georgia	9,934	12,398,017	0	0	313	355,335	52	401,315	0	0	10,299	13,154,667
Idaho	211	1,182,737	0	0	56	206,735	60	1,555,450	21	88,240	348	3,033,162
Illinois	490	554,485	0	0	406	555,085	2	18,600	21	443,260	919	1,571,430
Indiana	41	24,610	0	0	183	284,756	11	170,900	14	112,735	249	593,001
Iowa	311	253,193	0	0	613	580,267	2	4,000	0	0	926	837,460
Kansas	3,709	8,388,639	2,197	3,845,285	0	0	290	4,342,625	0	0	6,196	16,576,549
Kentucky	1,183	639,956	1,131	667,790	0	0	43	76,120	0	0	2,357	1,383,866
Louisiana	3,659	4,838,432	2,571	2,539,270	0	0	16	125,475	0	0	6,246	7,503,177
Maine	194	303,135	1,311	2,895,745	1,369	4,279,055	0	0	0	0	2,874	7,477,935
Maryland	42	175,059	0	0	0	0	1	1,200	0	0	43	176,259
Massachusetts	100	506,142	0	0	0	0	7	13,000	1	5,000	108	524,142
Michigan	207	618,547	0	0	0	0	5	42,500	94	797,687	306	1,458,734
Minnesota	767	596,342	0	0	1,978	2,067,623	6	25,196	15	87,883	2,766	2,777,044
Mississippi	14,121	19,423,734	3,324	3,347,630	1,138	540,375	5	34,595	0	0	18,588	23,346,334
Missouri	12,496	18,165,038	5,920	6,877,078	1,548	1,522,560	1,341	2,013,470	0	0	21,305	28,578,146
Montana	400	769,889	0	0	0	0	395	6,135,073	1	3,000	796	6,907,962
Nebraska	73	107,397	0	0	1,089	1,235,031	11	227,240	0	0	1,173	1,569,668
Nevada	45	432,552	0	0	0	0	73	1,665,170	0	0	118	2,097,722
New Hamsphire	21	124,720	0	0	0	0	7	5,910	0	0	28	130,630
New Jersey	311	806,861	105	410,785	60	118,450	73	110,300	11	31,300	560	1,477,696
New Mexico	1,059	2,340,593	1,062	2,422,575	0	0	832	8,093,545	1	2,260	2,954	12,858,973
New York	237	1,690,890	5	15,365	44	322,550	42	51,070	13	197,873	341	2,277,748
North Carolina	8,201	7,049,804	6,065	5,822,096	1,042	991,235	2	4,915	0	0	15,310	13,868,050
North Dakota	13,983	10,206,100	0	0	9,218	7,878,363	5	17,835	0	0	23,206	18,102,298

Ohio	115	168,410	0	0	18	55,335	11	26,845	1	1,500	145	252,090
Oklahoma	7,974	8,048,604	4,943	4,311,146	0	0	632	5,277,498	0	0	13,549	17,637,248
Oregon	165	838,871	0	0	0	0	35	750,140	15	116,020	215	1,705,031
Pennsylvania	138	360,023	1	1,500	0	0	102	135,260	5	17,013	246	513,796
Rhode Island	27	83,947	0	0	0	0	0	0	0	0	27	83,947
South Carolina	15,758	11,479,855	0	0	1,314	786,985	2	10,870	0	0	17,074	12,277,710
South Dakota	5,874	4,591,187	0	0	1,762	1,661,503	155	1,651,605	3	15,000	7,794	7,919,295
Tennessee	3,536	2,184,226	2,142	1,382,915	0	0	56	70,690	0	0	5,734	3,637,831
Texas	39,085	88,743,602	27,469	47,241,461	0	0	3,022	28,472,260	0	0	69,576	164,457,323
Utah	119	538,649	0	0	0	0	117	1,847,447	134	494,045	370	2,880,141
Vermont	86	220,420	0	0	0	0	5	9,180	0	0	91	229,600
Virginia	468	2,730,601	610	384,515	0	0	76	240,640	0	0	1,154	3,355,756
Washington	394	1,976,066	0	0	0	0	4	131,195	80	485,975	478	2,593,236
West Virginia	14	116,910	1	1,000	0	0	47	27,465	0	0	62	145,375
Wisconsin	352	460,608	0	0	0	0	0	0	73	1,092,957	425	1,553,565
Wyoming	423	1,504,907	1	2,500	21	34,430	108	1,943,173	2	3,100	555	3,488,110
Alaska	0	0	0	0	0	0	0	0	0	0	0	0
Hawaii	54	76,130	0	0	0	0	7	49,375	0	0	61	125,505
Puerto Rico	374	847,890	0	0	0	0	1	16,000	0	0	375	863,890
Virgin Islands	0	0	0	0	0	0	0	0	0	0	0	0

	Orchard loans											
Washington	48	267,130									48	267,130

	Average amount of loans											
Initial		$1,502		$1,529		$1,021		$9,906		$8,870		
Subsequent		1,547		1,080		1,816		7,251		7,785		

[1] "Loan costs" represent the amounts advanced to borrowers for such purposes as the payment of taxes, insurance premiums, etc.

Farm Tenant-Mortgage Insurance Fund, Farmers' Home Administration

This fund was established pursuant to sections 11 (a) and 12 (e) (2) of the Bankhead-Jones Farm Tenant Act, as amended, which authorized the appropriation of not to exceed $25 million for the establishement of the mortgage-insurance fund. The sum of $1 million was appropriated in the Department of Agriculture Appropriation Act, 1948, as the initial capital for this fund. The authority for insuring loans as contained in the Bankhead-Jones Farm Tenant Act is restricted to farm-ownership loans under title I. Public Law 597, approved August 17, 1954, amending the Water Facilities Act of 1937, also authorizes the use of this fund for insuring loans for soil- and water-conservation purposes.

The $1 million appropriation is supplemented by initial and annual charges collected from insured-loan borrowers and by such initial fees for inspection, appraisal, and other charges in connection with farm-ownership loans as the Secretary of Agriculture finds necessary. One-half of the initial and annual charges collected as the premium for insurance, and such amounts as are appropriated to the fund under section 11 (a), are available for payments with respect to insured loans. In addition, section 13 (b) and (c) authorizes borrowings from the Secretary of the Treasury any additional funds needed. Moneys not needed for current operations may be invested in direct obligations of the United States. The other one-half of the initial and annual charges, together with such fees for inspection, appraisal, and other charges as the Secretary may determine in connection with farm-ownership loans are available for administrative expenses in carrying out the insured-loan programs. It is estimated that receipts derived from these sources during the fiscal year 1958 available for administrative expenses in 1959 will amount to approximately $946,000.

Assets of the capital fund, including receivables, are estimated to be approximately $25,346,000 at June 30, 1958. The investment of the Government on this date is estimated to consist of $17,955,000 in borrowing from the Treasury, $1 million in appropriations, and $6,386,902 in retained earnings.

The number of farm-ownership loans insured each year from the beginning of the program in October 1947 through the third quarter of the fiscal year 1951 showed a steady increase. The number insured in the fourth quarter of 1951 and in 1952, 1953, and 1954 decreased as a result of the lack of investment capital due primarily to the low interest rate then in effect. Actual loans for 1955 and 1956 show a marked increase over 1954 as a result of (1) the enactment of Public Law 521, amended July 22, 1954, which amended the Bankhead-Jones Farm Tenant Act to provide a flexible interest rate on insured loans; (2) the further amendment to this act by Public Law 273, approved August 9, 1955, providing that mortgages shall run to the Government instead of to the lender; and (3) the enactment of Public Law 597, extending the water-facilities program to the entire Nation and authorizing the insuring of loans made by private lenders for soil- and water-conservation purposes. Due to considerably higher interest rates in effect and to the tight-money situation in 1957, the insured-loan volume is expected to be below 1955 and 1956.

Insured-loan activity since 1948 and estimated for 1958 fiscal year is shown in the following table:

Loans insured, by fiscal year

Fiscal year	Number of initial loans			Amount of initial and subsequent loans		
	Farm ownership	Soil and water conservation	Total	Farm ownership	Soil and water conservation	Total
1948	338		338	$2,412,837		$2,412,837
1949	1,149		1,149	7,937,241		7,937,241
1950	2,191		2,191	16,586,860		16,586,860
1951	2,150		2,150	17,596,050		17,596,050
1952	1,097		1,097	10,493,008		10,493,008
1953	1,041		1,041	10,681,721		10,681,721
1954	885		885	9,751,541		9,751,541
1955	2,865	2,817	5,682	31,595,629	$15,244,316	46,839,945
1956	3,101	1,795	4,896	37,780,733	10,396,827	48,177,560
1957	2,297	620	2,917	29,771,530	3,926,169	33,697,699
1958 (estimated)	1,380	390	1,770	17,500,000	3,500,000	21,000,000

There are no employees paid from this fund. Fees and administrative-expense charges made available by subsections (d) and (e) of section 12 of the Bankhead-Jones Farm Tenant Act, as amended (7 U. S. C. 1005 (b)), and section 10 (c) of the act of August 27, 1937, as amended, are transferred to the "Salaries and expenses" account, from which the costs of servicing the insured loan programs are met.

Mr. WHITTEN. You may proceed, Mr. Scott.

GENERAL STATEMENT OF THE DIRECTOR, AGRICULTURAL CREDIT SERVICES

Mr. SCOTT. Thank you, Mr. Chairman, members of the committee. We are glad to be with you to talk about the Farmers' Home again.

The details of the Farmers' Home Administration budget estimates will be discussed fully by Mr. Hansen. My remarks will be confined to a general review of the current activities of the Farmers' Home Administration.

LOAN VOLUME

The dollar volume of the Farmers' Home Administration loans in 1957 was greater than in any previous fiscal year, totaling approximately $356 million. This compares to a previous high of about $309 million in 1956. The estimated volume in 1958 is expected to be about $323 million.

The fact that areas in 31 States have been designated as eligible for emergency-loan assistance this year has led us to revise the estimates of loans from the disaster loan revolving fund upward by about $11,500,000.

There has been a marked decline in the volume of insured farm-ownership and soil- and water-conservation loans since the early fall of 1956. This has been due almost entirely to the general rise in the interest rates.

Throughout this period, there has continued to be a fairly substantial amount of insured-loan funds available from local sources, principally local banks who are interested in advancing funds for insured loans to their customers or to prospective customers. However, it has been over a year since we have had the participation of a lender who would accept loans nationally.

While authority exists to increase the interest-rate return to the lender on insured farm-ownership loans from the present 3½-percent rate to 4 percent, we have not taken this step. The decision not to increase the interest rate was made after consulting with several Members of the Congress during last July and August. During these discussions, we pointed out that the Farmers' Home Administration was experiencing increasing difficulty in getting insured-loan funds, and we could see no immediate prospects for much change. Practically all of the Members of the Congress whom we consulted were reluctant to see the interest rate increased, even though they recognized this would bring some additional funds for insured lending. Following these consultations, the Department concluded that it would be well to defer decision on increasing the rate of interest to investors on the insured loans until about January 1, 1958. By that date, the investment and interest rates had eased. So, we have not made any change in the interest rate on these loans.

In fiscal year 1957, the Congress provided a supplemental borrowing authorization of $26 million for direct farm ownership loans which was used to take up the slack created by the shortage of insured loan funds. In fiscal year 1958, as of January 31, 1958, commitments have been received for the insurance of about $8,400,000 in farm ownership loans. Soil and water conservation insured loans totaled about $550,000.

There is still a balance of direct farm ownership loan funds available which to some extent may be transferred between States to take care of urgent veteran applicants. Through the use of this direct loan fund balance, and taking advantage of a general easing of interest rates, we believe that the program this year can be carried out satisfactorily without increasing the interest rates on insured loans.

The budget estimates for 1959 anticipate a further easing of interest rates and greater participation of private lenders, with a resulting substantial increase in the volume of insured loans.

LEGISLATIVE PROPOSALS

The Department has proposed amendments to the Bankhead-Jones Farm Tenant Act and the Water Facilities Act which we think will strengthen the insured loan programs, making them more workable from day to day under changing market conditions. One feature of the proposed changes would permit making up to $5 million in farm ownership or soil and water conservation loans from the farm tenant-mortgage insurance fund, later to be sold individually or in blocks to private lenders as insured loans. This will facilitate the participation of private lenders in the programs and also will permit an individual county office to develop a loan with assurance that funds are available for the loan when approved.

Under present provisions of the National Bank Act, many national banks are unable to make the average insured farm ownership loan because the amount of the indebtedness of any one individual is limited to 10 percent of the bank's capital and surplus. The proposed bill would raise this limit to the equivalent of 25 percent of the bank's capital and surplus with respect to the two types of insured loans. Other features of the proposal provide for facilitating the conversion of direct loans to insured loans.

RELATIONSHIPS WITH OTHER LENDERS

We are continuing to work closely with other principal lenders including banks and production credit associations in an effort to improve services to farm families. Close cooperation with local lenders provides many an opportunity to assist applicants to secure credit from these sources. Local banks and PCA's refer applicants to our office and we refer applicants to them. Usually local lenders are more than glad to subordinate their interests in order that a deserving applicant can be assisted through another crop year by the Farmers' Home Administration. Cooperation with local lenders is also a factor in facilitating the graduation of borrowers to other sources of credit. Many times the county supervisor through counseling with a new applicant or with an indebted borrower is able to find a basis for the extension of credit by a local lender. The Farmers'

Home Administration is encouraging the county supervisors to give maximum service to applicants and borrowers in credit counseling.

ASSISTANT TO OPERATORS OF LESS THAN FAMILY-TYPE FARMS

During the appropriation hearings last year, there was considerable discussion concerning loans to small operators who are unable, for one reason or another, to acquire the resources necessary to round out a completely adequate farming operation. We submitted to the committee a considerable volume of material bearing on this point, including an explanatory statement of our current policies. While much of this material was printed in the hearing record, I would like to outline again our policies in this respect.

We recognize the need to assist actual farmers who are operating less than family-type farms to continue in the farming business. We recognize that many of these operators are in a poor financial condition through no fault of their own and that there is a need to continue to assist them until such time as they are able to improve their situation on the land through access to additional resources or otherwise. Many such farmers have been assisted under our emergency loan authorities, including particularly the authority for special emergency loans under Public Law 727. Public Law 878, approved August 1, 1956, contains an amendment to title II of the Bankhead-Jones Farm Tenant Act providing specific authority for operating loans to individuals residing on less than family-type farms. State offices have been authorized to issue local instructions under this statute specifically designed to assist the less than family-sized operator of whom I have been speaking.

The rural development program is progressively receiving more widespread support throughout the country. It is proving to be an effective way for people in all walks to join together in working out practical solutions to the problems of disadvantaged agricultural areas. We believe that this program will be very helpful in finding answers to the problems of many of the low income and less than family-type operators. The loan services of the Farmers' Home Administration are available in all of the pilot counties which have been established. So far farm credit has not been a major factor in the individual programs. To the extent that farm credit is the answer, we believe that the Farmers' Home Administration now has adequate statutory authority to render maximum assistance.

DISASTER LOAN REVOLVING FUND

Collections on emergency and special livestock loans from the disaster loan revolving fund have permitted us to maintain a balance in the fund in recent years sufficient to take care of all loan requirements. Last year this committee recommended, and the Congress approved, the obligation of an additional $11,500,000 from the existing fund for feed assistance under section 2 (d) of Public Law 38. This gave us the authority needed to repay the President's emergency fund for advances in connection with the hay and roughage program which the Farmers' Home Administration administered in 1957.

Recently, we have had to review the availability of funds carefully in connection with the anticipated heavy emergency loan requirements in

the Southern States and elsewhere to which I referred earlier. We believe that balances in the fund will be adequate to carry the programs now in prospect. Members of our staff have visited Arkansas, Mississippi, and some of the other Southern States and they have all verified the fact that unusually serious losses have been suffered by farmers in the stricken areas and that the demand for emergency loans will be very great. Because of the widespread impact of the disaster, most applicants for loans will have been unable to make the scheduled payments on existing secured indebtedness. This places a heavy burden on preferred creditors and makes such creditors reluctant to subordinate their position temporarily so as to form a basis on which the Farmers' Home Administration can advance an emergency loan. To assist in overcoming this difficulty, the purposes for which production emergency loans can be made have been broadened to include depreciation on equipment. Now the emergency loan can include funds representing up to 15 percent of the appraised value of the equipment, or 15 percent of the indebtedness of the applicant for which the equipment is security, whichever of the two amounts is the smaller. Such depreciation is ordinarily and properly considered an operating expense. The advance of funds for this purpose will materially assist both the borrower and the preferred creditor. At the same time it will provide some added assurance that the applicant in future years will more likely continue to secure assistance from the particular creditor involved rather than require financing by the Government.

ORGANIZATION CHANGES

Last year, I stated that we were working on plans to relieve the Farmers' Home Administration of all responsibilities in connection with the Department's emergency feed program which was then being conducted jointly by the Farmers' Home Administration and the Commodity Stabilization Service. This has been accomplished by assigning the responsibility exclusively to the Commodity Stabilization Service. The Farmers' Home Administration did a good and conscientious job during the years that it participated in these difficult to administer programs.

Mr. Chairman, unless you desire first to discuss matters included in my statement, Mr. Hansen, Administrator of the Farmers' Home Administration, who appeared before your committee for the first time last year, will be glad to present his general statement now.

Mr. WHITTEN. We will be glad to have Mr. Hansen's statement.

STATEMENT OF KERMIT H. HANSEN, ADMINISTRATOR, FARMERS' HOME ADMINISTATION

Mr. HANSEN. Mr. Chairman, this is my second appearance before your committee in connection with the annual budget estimates, and again I am grateful for this opportunity to discuss the activities of the Farmers' Home Administration.

As I have traveled around the country visiting our various State and county officers I have been greatly impressed by the caliber of our personnel and the service they are rendering their communities.

Many of our people, as you know, have been advancing credit and providing farm management advice in their local areas for as much as 20 years and more. They have a wealth of practical experience in this field. Frequently, they know every farm in the county, what it is worth, who owned it last, and also who owns it presently, and how much the insurance companies and the land banks will loan on it. They know what good cows are selling for, what it costs to improve a pasture and what it costs to remodel a barn, and other farm operation costs. These men are recognized as experts in their field by the business men and farmer in their communities.

It is becoming a common practice among farmers to drop into their local Farmers' Home Administration office and ask for advice on credit problems. From my experience as State director in Iowa, I knew the service we were rendering in this regard, but I didn't know how widespread the practice was in other States. Actually it appears that thousands of farmers every year get advice from our county supervisors on the cost of improving their operations. And, many of these farmers, after we help them think through just exactly what needs to be done, and what the cost will be, obtain whatever funds they need from the local bank, or PCA or other private source.

We are extremely proud of the reputation of our supervisors and of the many services they provide, and we are encouraging them to consider this credit counseling service as a part of their regular activities.

LOAN OPERATIONS

In all direct and insured loan programs, the Farmers' Home Administration loaned $356,380,000 during the 1957 fiscal year. This is 15 percent larger than any prior year and compares to an estimated $322,945,000 in 1958 and $284,400,000 in 1959. Receipts from repayments on loans also have continued at a high level. In 1957, principal and interest collections were $294,623,000. In 1958 we estimate collections at $300,443,000, and in 1959 at $308,596,000. Collections in December 1957 reached an alltime high for the month, being $55,693,000 for this month alone.

The record of repayments to maturities continues to be good. Repayments on operating-type loans stay about the same level each year. As revealed by the accounting records, delinquencies are usually quite high due primarily to the fact that our policy does not permit renewing the loans. When individual borrowers are unable to meet their payments due to factors beyond their control, a rescheduling of the payments is worked out locally with the borrower but this is not formalized into a note combining principal and interest as is the practice with most lenders. Repayments on real estate loans continue to be in excess of the cumulative annual installments though somewhat less in excess than in previous years.

The situation with respect to insured loans appears to be changing quite rapidly. While we have not stepped up the monthly volume of insured loans extensively, as yet, the interest rate picture is changing and there is increasing evidence that some of the larger lenders are seriously considering resuming their participation in the insured loan programs of the Farmers' Home Administration.

LOAN AUTHORIZATIONS

The budget estimates for 1959 provide for a total of $175 million in Treasury borrowing authorizations for loans. This compares to 1958 authorizations of $209.5 million. These amounts cover farm ownership, farm operating and soil and water conservation loans. In order to utilize the loan authorization to the best advantage in 1959 under the then existing conditions, the budget proposes language changes which would make the amount of $175 million available interchangeably for any of the three types of loans as the need and demands should develop. We feel that this consolidation will permit us to take better advantage of the availability of funds for insured farm ownership and soil and water conservation loans.

Funds for farm housing loans are still available from the statutory borrowing authorization contained in amendments to title V of the Housing Act of 1949 enacted during 1956. These amendments authorize the borrowing of $450 million from the Secretary of the Treasury for farm housing loans during a 5-year period from 1957 to 1961. Obligations in 1958 and 1959 from this authorization will be discussed later.

For purposes of comparing the budget estimates for 1959 with the funds available for 1958, the explanatory notes contain estimates of the amount of obligations for each of the three direct-loan programs in 1959. This breakdown is only tentative. For example, we have estimated $5 million for soil and water conservation loans. If ample insured funds are available, very little of the $5 million will be needed for direct loans. This is illustrated by the fact that when ample insured loan funds were available in 1956, only about $1,300,000 of a total authorization of $11,500,000 for soil and water conservation loans was used.

FARM OWNERSHIP LOANS

The estimate for direct farm ownership loans is $15 million in 1959, compared to $24 million available. As previously indicated, it appears that the situation in the latter part of this fiscal year and the fiscal year 1959 will be much improved with respect to participation of private lenders in the farm ownership insured loan program. To the extent that the need and demand for loans holds up, we feel confident that almost if not allof the entire reduction of $9 million in direct loans can be made up by an increase in insured farm ownership loans.

Actually, it appears that the demand in 1959 will be lower than in 1958 and much lower than in 1957. The demand which was quite heavy during the 1957 fiscal year from applicants who desired to secure loans for refinancing existing indebtedness has fallen off during this year and is expected to be even smaller in the fiscal year 1959. The current high market price of farmland is discouraging those applicants who would like to purchase farms. We have taken some initiative in this field by instructing our State offices to confine their approval of purchase loans to dockets which reveal an unusually favorable purchase price to the applicant.

The legislative changes which Mr. Scott discussed will be of further assistance in utilizing the insured rather than the direct-loan programs.

FARM OPERATING LOANS

Our estimate of farm operating loans, within the total of $175 million available, is $155 million. This represents a reduction of $25 million below the $180 million authorized in 1958. The present available amount of $180 million resulted from an increase of $40 million initiated by the Congress in the authorization for 1957 above the budget estimate of $140 million submitted for that year. The budget estmiate proposes that only $15 million of that increase be continued in 1959.

The added $40 million has been utilized to some extent to step up the amount of assistance to operators for the refinancing of existing indebtedness. As I indicated last year, the consolidation of the chattel indebtedness of many farmers was necessary to place repayment schedules on an orderly basis and to permit the operators to retain essential operating equipment which was often in danger of being lost. As in the case of farm ownership loans, the demand for loans to refinance existing indebtedness currently is not as heavy as heretofore.

Another factor which we feel will reduce the need for operating loans in 1959 is the improvement in some of the Southwestern and Western States because of the break in the drought. A substantial portion of the increase of $40 million has been used in those States.

As revealed by applications received to date, the general demand for operating loans this year is down quite sharply compared to last year.

If the situation with respect to insured loans develops as anticipated, then it will be possible to step up the use of State Rural Rehabilitation Corporation trust funds for farm-operating loans. This possibly has been considered in connection with the reduction in borrowed funds. During the last 2 years State corporation funds have been used more extensively for financing insured farm ownership loans. We expect that it will be possible to sell a large portion of the insured loans now held by the State corporations utilizing these receipts plus additional receipts in making farm operating loans.

SOIL AND WATER CONSERVATION LOANS

The estimate for soil and water conservation direct loans in 1959 is $5 million compared to $5.5 million available in 1958.

We have found it virtually impossible to predict the demand for soil and water conservation loans. Because of the extreme drought in certain parts of the country, a large demand for irrigation type loans had been anticipated in recent years. While there was a substantial increase in applications in fiscal year 1955, the first year of the revised soil and water conservation program, there has been a reduction in applications each year since. This has been disappointing because it was felt that the new legislation would provide farmers with a means of accomplishing needed soil conservation improvements worked out with the Soil Conservation Service.

FARM HOUSING LOANS

The budget estimate for farm housing loans in 1959 is $10 million compared to $30 million contained in the budget for 1958. It now

appears that the 1958 estimate is high and that obligations probably won't exceed $25 million. The 1959 estimate represents an attempt to reduce the use of direct Government funds for farm housing loan purposes in favor of a greater use of insured loan funds from private lenders.

Notwithstanding the very large amount of funds available for farm housing loans, the loan volume has been relatively low during 1957 and 1958. Applications were quite heavy in 1957, but have dropped off considerably this year.

The 1956 amendments to title I of the Bankhead-Jones Farm Tenant Act contained specific new authority to make insured loans for building purposes. The new subsection states that—

> loans in amounts not exceeding $15,000 per farm for the construction, improvement, repair, or replacement of farm dwellings and other farm buildings on farms the operation of which require no more than three farm families or three farm dwellings may be insured under this Act

We have not used the authority of this section to date because the limited insured loan funds were needed for farm ownership and soil and water conservation loans. However, in 1959, we believe it will be possible to secure sufficient insured loan funds to take care of a major portion of the farm housing loan needs through use of the new statutory authority. On this basis there would be no reduction in the farm housing loan assistance.

SALARIES AND EXPENSES

The budget estimate of $29,089,500 for salaries and expenses is the same amount as is available this year. The only 1959 increase involved is the sum of $30,000 additional funds expected to be available by transfer from the farm tenant-mortgage insurance administrative fund. During 1958, $916,000 will be available from this source and it is expected that about $946,000 will be required in 1959.

DEBT SETTLEMENT ACTIVITY

Last year I predicted that recent amendments to the Bankhead-Jones Farm Tenant Act, increasing the authority for the compromise, adjustment, or cancellation of old indebtedness, would result in stepped-up activity. This prediction proved accurate at least as far as concerns the number of borrowers accounts settled and the amount of principal and interest written off. During fiscal year 1957, the accounts of 27,718 borrowers were settled and a total of $16,369,000 was written off, of which about $6 million was accrued interest. This is an increase of 20 percent in the number of borrowers and 36 percent in the amount of writeoffs over fiscal year 1956. A total of $578,344 was collected during the year in connection with those cases involving compromise and adjustment.

The debt settlement authorities have been very helpful in permitting the Farmers' Home Administration to reduce the very large volume of accounts which were outstanding and owed the Farm Security Administration and the Emergency Crop and Feed Loan Division of the Farm Credit Administration at the time this agency was established. Most of the over $16 million written off last year was

owed by former borrowers of these two abolished agencies. On November 1, 1946, the Farmers' Home Administration took over about 280,000 active borrower accounts. In addition, the accounts of about 800,000 borrowers were turned over to the Fermers' Home Administration for collection purposes. The latter group were all inactive accounts involving no security property. As of December 31, 1957, there were only about 70,000 of such accounts outstanding some of which are owed by individuals who became indebted since November 1, 1946.

Thank you, Mr. Chairman.

Mr. WHITTEN. I have listened with a great deal of interest to your statement, Mr. Hansen. I realize you are not responsible always for policies followed by the Department.

PROPOSED CONSOLIDATION OF LOAN AUTHORIZATIONS

I am intrigued by your request, which apparently the Bureau of the Budget either suggested or approved, in which you want to consolidate these various loan programs. That is tenant purchase loans, loans for purposes of production and subsistence, and your soil and water conservation loans.

What would be your idea if the committee should be requested to appropriate a certain amount of money to the Secretary of Agriculture and let that be it, a one-line appropriation, and then just leave it up to him.

Would you think that is sound business?

Mr. HANSEN. Well, I wouldn't think so; no.

Mr. WHITTEN. Well, you have three programs, approved separately by Congress and run separately all through the years. Yet now you ask us to just pool it. Here is a soil- and water-conservation program which has run around $5 million per year; but if we followed your suggestion, you could lend all of the $175 million for this one purpose.

If you had a man working for you and he wanted that much freedom, what would you say?

Mr. HANSEN. Well, of course, we would have no intention, and I don't think that we would go that far off the limit, certainly not without counseling with you people here——

Mr. WHITTEN. I know you personally, and Mr. Scott, too. I don't think you would go that far, but I am saying that you could.

Mr. SCOTT. Mr. Chairman, may I comment on that?

Mr. WHITTEN. Yes.

Mr. SCOTT. I think it is very obvious that your statement is correct—that what we are asking for could work out as all money going into one type of loan.

Really, we had only one purpose in this, and it was to give us just a little elbowroom, as Mr. Hansen has pointed out in his statement.

Mr. WHITTEN. Do you call that a little bit of elbowroom, Mr. Scott? What would be a whole lot of elbowroom?

Mr. SCOTT. Well, let me say it this way: I meant to go ahead and say that in the material that has been furnished in the record here we have estimated the size of the different loan programs. I think the Congress very properly should always set the size of the programs. We have indicated what looks like will probably be the volume of bus-

iness that we could handle under these several different programs. We tell you in all honesty it would be our intention to go right along and change no instructions anywhere and have the FHA folks make loans that meet the requirements within those sums.

Mr. WHITTEN. I was pointing out the liberality with which you have asked us to treat your restrictions so far as the law is concerned. I would have to say, knowing you folks and having dealt with you and having the justifications here, that I would be of the opinion that you would follow the justification and, if you didn't, you would advise the Congress.

I am not making an attack on what you do as administrators.

Mr. SCOTT. I appreciate that.

Mr. WHITTEN. But I am pointing out the possibility that the Congress might be creating if we didn't keep any guidelines.

I have been in the Congress long enough to see a tremendous amount of pressure built up behind certain activities in certain areas. At one time it is one area. At another time it is another area. If you had all this latitude you, in turn, would be subjected to all those pressures to shift from this to that. If you are going to justify separately and going to assure us that you would handle it separately, by and large, then what is to be gained by putting it together? Looking at it from either direction, if you are not going to use this latitude to shift from one to the other, you don't need it. However, if you may need it and may use it, then I am skeptical about whether we ought to let you have it.

So I am still waiting for a sound argument.

Mr. SCOTT. Mr. Chairman, the only reason that I know of is the one that I have stated. We would intend to go right down the line on the submitted estimates. If pressures built up, certainly I think we would say we presented estimates to the Congress in this manner as being our intended size of individual loan programs for the several authorities. The only reason that it is being suggested to you, that I know about, is that within these individual estimates, if loans don't develop in one field and we get more loans in another, within reasonable bounds—and that is all I ever understood was involved—a reasonable amount of variance from these estimates would be made for the individual programs.

Mr. WHITTEN. Now this is loan authorization. Unless you approve the loan, the funds are not taken from the Treasury and the Government owes no money on it.

Mr. SCOTT. That is right.

Mr. WHITTEN. And unless approvals are as great as you have authority to make loans, of course no harm is done. You wouldn't approve them, therefore, you wouldn't use them. It wouldn't be coming from the Treasury and the authority would merely lapse without expense to the Government.

So it doesn't hurt anything in that regard.

Then we turn to the other aspect of this. Production and subsistence loans demands may exceed what we anticipate.

We have frequently met that in this committee by giving you a contingency authorization. In other words, we authorize so much money and so much additional funds which could be released by the Bureau of the Budget.

In that case, if the demand doesn't come up to the level, you don't even use the authority. If your demands exceed the authorized amount, then the Bureau of the Budget has the authority to release this contingency. But we at least can see these programs objectively and we are freed from the charge that we put them together so that somebody could get all and somebody none.

You have had very satisfactory experience with that contingency authorization, haven't you?

Mr. SCOTT. Yes.

Mr. WHITTEN. So that would meet the need. While you are here to justify the request as approved by the Bureau of the Budget, what I am suggesting would enable you to meet any such need as you describe, would it not?

Mr. SCOTT. The only advantage that I see in this consolidation would be to let us increase within reasonable amounts the estimate on a particular loan program.

Mr. WHITTEN. That is right, but if we give you that particular contingency fund, you would have the same latitude you would have here, would you not?

Mr. SCOTT. It would seem to me we would, Mr. Chairman.

Mr. HANSEN. Mr. Chairman.

Mr. WHITTEN. Yes.

Mr. HANSEN. Actually, the thing we were trying to arrive at here was to get some latitude to work with the insured funds that may be available. It would give us some latitude to work back and forth. But this contingency appropriation you mentioned, it seems to me, would arrive at the same thing and still the Congress would have more direct control of the program.

Mr. SCOTT. Mr. Chairman, may I say that I feel confident there is no intent here to deprive this committee or the Congress from any control you have over the program. I don't think that was intended at all.

Mr. WHITTEN. We don't consider it that way. Actually this committee is an arm of the Appropriations Committee and it, in turn, is an arm of the House of Representatives. So it is not that. But there are certain rules for orderly government and orderly legislation. Operations that we think are important certainly should be considered in view of the change that is suggested along this line.

Mr. ANDERSEN. I would like to talk about this particular thing that has been discussed.

Mr. WHITTEN. I will yield.

TRANSFER OF LOAN FUNDS

Mr. ANDERSEN. Mr. Scott, the basic law—I am referring to Public Law 425 of the 78th Congress—does give the Department the right to transfer 7 percent from any bureau, division, or office of the Department of Agriculture for the purpose of expenses of operation, does it not?

But you have no such right of transfer relative to loan authorization.

Mr. SCOTT. Not that I know of.

Mr. ANDERSEN. You have no power to transfer under the law itself from one of these three general headings from one to the other.

Mr. SCOTT. I believe we do not have.

Mr. ANDERSEN. I concur in that belief. Why couldn't we meet your problems perhaps by putting in a 10 percent transferability statement in the report, or the law—couldn't that be done to provide you a little leeway.

I will agree fully with the chairman that we should not go the whole way in this; but I certainly can see where my part of the country is going to suffer, because in our section we depend upon subsistence loans and I am certainly not going to sit here and see all of that perhaps made available for soil and water conservation loans out in the West or something of that sort.

But, Mr. Chairman, I am just wondering if perhaps we couldn't approach this proposition by giving them a little power of transfer.

Mr. WHITTEN. You wouldn't want them to transfer all your production and subsistence loans down to the soil and water conservation?

Mr. ANDERSEN. No; we would want the transferability to work both ways.

Mr. WHITTEN. But would you want to authorize them to transfer 10 percent?

Mr. ANDERSEN. Well, it is a question.

Mr. WHITTEN. It is doubtful to me whether we will want to give them the right to transfer 10 percent.

Mr. ANDERSEN. I would like to give these gentlemen some right, but not too much.

Mr. WHITTEN. I do think if you get into this transfer authority you get into some problems.

Mr. ANDERSEN. I just mention that, Mr. Chairman, as perhaps one line of approach.

Mr. WHITTEN. I appreciate it. But here is the thought that I have: When it comes to loan authorizations, it is somewhat different from the transfer of appropriations. I would just doubt that you could transfer loans from one field over into another. We would have to write language similar to what you have and say but in no case could you exceed your justifications by an excess of a certain percentage. You would have to pool it together, as I see it from a procedural standpoint.

But I think these programs are well able to stand on their own basis. If there is reason for you to tell us now that you need more production and subsistence loans, we are in session and open for business. I think that the situation clearly shows that there is a real need for more authorization than you ask for production and subsistence loans.

We hear the Secretary of Agriculture constantly insist that one of the answers to the farm problem is let a farmer get enough land so he can have an economic unit. That involves your farm purchase program. And we have various other answers. With the repayment rate to your agency being what it is, now is the time for us to talk about the possible size to meet all your needs. I wish to point out again that this is a loan for which the Government takes security. It is repaid with interest; and if the need exists and you can see a probable need, now is the time to point out the probable need. If the demand is less than you thought, no harm is done, because you don't even draw the money from the Treasury and you don't incur any obligation or any expense until used.

Now, there is one other thing that disturbs me. I understand the President sent a bill down today to enable the REA to borrow from private sources with the Government to guarantee the repayment. Under these insured loans, the Government's liability is just as great or greater. Under those you pay a higher rate of interest, and the borrower has to pay more because he has to pay a higher rate of interest. I can't see that there is any tremendous cure in this particular proposal.

TOTAL LOANS OUTSTANDING

Now, I would like for the record to show just how much money you have outstanding now. What is the sum total of all your loans?

Mr. BARNARD. It is approximately $1 billion, including insured loans.

Mr. WHITTEN. Could you give me a breakdown on that as to what part is insured loans and what part is direct loans?

Mr. BARNARD. I could do it as of December 31, just by guess.

Mr. WHITTEN. You can correct that.

Mr. BARNARD. Total insured loans, I think, are around $170 million. The exact figure is $167,629,574.

A total of $79,469,000 is outstanding in emergency loans and the rest in all other types of direct loans.

Mr. WHITTEN. Are the emergency loans all direct loans?

Mr. BARNARD. Yes; that is direct loans.

INTEREST RATE ON INSURED AND DIRECT LOANS

Mr. WHITTEN. Now, what is the rate of interest that the farmer pays on insured loans as compared with what he pays on direct loans?

Mr. HANSEN. They are the same, Mr. Chairman, 4½ percent.

Mr. WHITTEN. Four and one-half percent in both instances?

Mr. HANSEN. Yes, sir.

Mr. WHITTEN. Well, a few years ago when you started out on insured loans it was higher than you were then charging under your direct loans.

Mr. HANSEN. Is that right, Mr. Smith?

Mr. SMITH. No, sir. The interest rate on both have always been at the same level. But in 1954, the interest rate for both the insured and direct loans was 4 percent to the borrower.

Mr. WHITTEN. There has never been any higher interest rate changed on the insured loan?

Mr. SMITH. No, sir, they have always been operating the same.

Mr. WHITTEN. You might give us a breakdown by types for the record. Then you might put a table in the record showing the number of insured loans that you made since you started the program. That would be by fiscal year.

(The information requested is as follows:)

Loans outstanding as of December 31, 1957, totaled $968,215,463 of which $167,629,574 were insured type loans, $20,108,429 of direct loans were assets of the State rural rehabilitation corporations, administered by the Farmers' Home Administration, and $780,477,460 were direct Government loans. As of December 31, 1957, the various State rural rehabilitation corporations held $9,237,640 of the total of $167,629,574 in insured loans outstanding in addition to the amount of $20,108,429 in direct loans reported above. Also on December 31, 1957, the farm tenant-mortgage insurance fund held $16,950,093 of the insured loans out-

standing having acquired these loans under terms of insurance contracts providing for Government redemption of the loans after specified periods of not less than 5 years, in connection with possible liquidation proceedings and in some cases because of default by the borrower on annual payments.

Number and amount of insured loans by fiscal years

Fiscal year	Farm ownership			Soil and water conservation			Total		
	Number		Amount	Number		Amount	Number		Amount
	Initial (1)	Subsequent (2)	Initial and subsequent (3)	Initial (4)	Subsequent (5)	Initial and subsequent (6)	Initial (7)	Subsequent (8)	Initial and subsequent (9)
1948	338		$2,412,837				338		$2,412,837
1949	1,149		7,937,241				1,149		7,937,241
1950	2,191	2	16,586,860				2,191	2	16,586,860
1951	2,150	16	17,596,050				2,150	16	17,596,050
1952	1,097	38	10,493,008				1,097	38	10,493,008
1953	1,041	47	10,681,721				1,041	47	10,681,721
1954	885	27	9,751,541				885	27	9,751,541
1955	2,865	59	31,595,629	2,817	96	$15,244,316	5,682	155	46,839,945
1956	3,101	220	37,780,733	1,795	112	10,396,827	4,896	332	48,177,560
1957	2,297	155	29,771,530	620	54	3,926,169	2,917	209	33,697,699
1958 through Jan. 31, 1958	588	46	8,019,678	94	17	554,840	682	63	8,574,518

Mr. ANDERSEN. Well, might I ask, Mr. Chairman, were any of these insured loans made this last 12 months?

Mr. BARNARD. Yes, sir; I can give you the record of the amount of the insured loans in the last few years.

I will give it from the beginning—fiscal year 1948, which was the first full year of title I of the Bankhead-Jones Tenant Act, we insured $2,400,000.

In 1949, $7,900,000.

In 1950, $16,590,000.

In 1951, $17,596,000.

1951, in the spring, happened to be the time when interest rates went up and our major lending participants withdrew.

Our business dropped down in 1952 to $10,493,000.

In 1953, $10,681,000.

In 1954, $9,751,000.

Then when the new insured program began in Septmeber 1954, which was the fiscal year 1955, we committed $46,840,000.

In 1956, $48,177,000.

In 1957, last fiscal year $33,698,000, and so far this year through February 14, we have committed $10,035,000.

Mr. WHITTEN. Now you say the borrower pays 4½ percent interest, whether it is an insured loan where the Government guarantees the repayment to private associations, or whether it is a Government loan.

Now what interest rate is the Government paying currently for its own money?

Mr. BARNARD. The Treasury is paying now, I think the latest on loans that have maturities comparable to our farm ownership 40-year loans is around 3.3 percent.

Mr. WHITTEN. You might put that in the record on an accurate basis, giving the latest data.

Mr. BARNARD. Yes.

(The information requested is as follows:)

The Treausry, currently during February 1958, is paying about 3.25 percent for its long-term obligations comparable to 40-year farm ownership loans.

Mr. WHITTEN. Now on the insured loan, how much does the banker or the private lender get?

Mr. BARNARD. The bank only gets 3½. The Government gets 1.

Mr. WHITTEN. Gets 1 percent.

Mr. BARNARD. That is the difference between the direct and the insured. In the case of the direct loan, it is all interest, and it is 4½ percent to the borrower.

In the case of the insurer it is 3½ interest plus 1 percent insurance charge.

Mr. WHITTEN. Yes.

The point I am making is that you supervise the loan just as much one way as you do the other.

LOANS BY PRIVATE LENDERS

Now you come back to the fact that you don't need as much lending authority in this next year according to both of your statements, because you anticipate that your insured loans will begin to pick up again due to a change in the availability of funds.

Have you seen any evidence of interest in the program by private lenders, or is that just expressing high hopes?

Mr. HANSEN. No, Mr. Chairman; we have seen a definite change in that starting about Christmastime or thereabouts. Various of the States have been getting commitments. In fact, Georgia came in with a commitment last week of about $50,000, which is relatively small, but we had a call this morning from one of the larger banks in New York City in which they told us that they would be looking to us in a week or 10 days. They thought they would be interested in our paper, and we definitely have a real indication, Mr. Chairman, that the private lenders are going to be interested in this paper again soon.

Mr. WHITTEN. I hope you will keep the committee advised. As you know, we have a number of weeks in which we will be tied up in hearings here before we take final action.

Mr. HANSEN. Yes.

Mr. WHITTEN. And I would like for you to advise the committee as to what the latest story is.

Mr. HANSEN. I'd be very happy to do that.

Mr. WHITTEN. May I say again that if we give you the authority to lend the money yourself, and if money is available from private sources, you don't have to use that authority. And if you don't use it, you don't withdraw it from the Treasury, and there is no Government expense.

So then I ask you if we go ahead and give you the authorization, in view of this better outlook, what harm would be done.

Mr. HANSEN. Personally, I can see none.

Mr. SCOTT. Mr. Chairman, could I make just one comment about Farmers' Home Administration insured loans?

There is this definite side advantage, if you want to term it that: These insured loans in the Farmers' Home Administration, most of the funds that they have been getting in the last year or two have been

coming from country banks and we think that is a fine arrangement. I believe there were about 1,400 of these country banks at one time that had some of these insured loans.

Now that is a first and important step in getting these banks definitely interested in a good family being financed by Farmers' Home Administration. It is a step toward accepting them a little later on after our folks have helped them get squared away into a borrowing position that the bank or some other private lender can accept.

I think this encouragement to later graduation is a definite advantage in this insured deal. Of course as you know the extent to which we do use insured funds, it does not build up against the debt ceiling.

Mr. WHITTEN. The obligation on the part of Government is just as much, however.

Mr. SCOTT. That is right, on an insured loan.

Mr. WHITTEN. If you go the insured-loan route, is that determined by the legislation which authorizes you to insure loans up to a certain amount? Or is your authority to make insured loans controlled by the total amount which you have requested for loans?

Mr. SCOTT. It is by statute.

Mr. BARNARD. There is a statutory limit on the amount we can insure in any one year but it is a large limit. It is $125 million on farm-ownership loans and $25 on soil- and water-conservation loans.

Mr. WHITTEN. And you are not required to get any congressional approval to go that route?

Mr. BARNARD. No, sir.

Mr. WHITTEN. It is your privilege to go ahead within the limits set out by law.

We would like to have an appropriate section included in the hearing at this point, so you can make that clear.

Mr. SCOTT. All right.

(The information referred to is as follows:)

Section 12 (b) of title I of the Bankhead-Jones Farm Tenant Act, as amended, contains the following provision with respect to the limit on the amount of insured loans. "The aggregate amount of principal obligations on all mortgages insured under this title, on all mortgages with respect to which commitments to insure have been made, and on all mortgages accepted for the account of the fund and not disposed of under section 14 shall not exceed $125 million in any one fiscal year. With respect to any fiscal year, one-quarter of the amount available for insurance, commitments, and acceptance of mortgages under this title shall be distributed among the several States and Territories on the basis of bona-fide applications and the availability of farms with respect to which loans may be insured and the balance shall be distributed on the basis provided in section 4, and preferences shall be given to mortgages executed by veterans qualified under section 1."

With respect to soil and water conservation loans, section 10 (e) of the act of August 28, 1937, as amended, covers this point as follows: "The aggregate amount of the principal obligations on loans insured under this act, shall not exceed $25 million in any one fiscal year."

STATUS OF LOAN REPAYMENTS

Mr. WHITTEN. Now, proceeding further, you say you have got outstanding about a billion dollars in loans, $170 million of which are insured loans. What has been your rate of repayment for the last 5 or 6 years, separated into interest and principal payments, on the loans that you have had outstanding?

Mr. BARNARD. Mr. Chairman, are you trying to get a distinction between the direct and the insured?

Mr. WHITTEN. Quite naturally, you would want to keep it separate, and it suits me to keep this that way. But the main thing I want is to keep it separated between the interest and principal repayments. And, if you have it separated between the insured loans and the others, I would like to have that breakdown, too.

Mr. BARNARD. Well, we do have that.

Mr. Chairman, you understand that all of these real-estate loans are on an amortized basis, just like my house would be if I were buying under Federal Housing Administration. They pay so much a year, which includes both principal and interest. When we get it at odd times during the year, we apply so much to the interest, first, and then to the principal, but the distinction between the principal and interest on our books isn't indicative of the repayment record.

Mr. WHITTEN. It just shows your preference when you credit it.

Mr. BARNARD. Well, we credit the interest, first, but the borrower pays so much. If he happened to do——

Mr. WHITTEN. Give us the amount on the loan; the principal and the interest. Give it to us that way, if that is the way you have it.

Mr. BARNARD. As of March 31, 1957, which is the last common maturity date of farm-ownership loans, on the direct loans, the 42,612 borrowers, who had paid their accounts in full, had paid $168,333,000.

Now, $81,629,000 had fallen due from those 30,537 borrowers who still owed balances, and they had paid $86,447,000, which placed them at 105.9 percent of the payments fallen due. In other words, their payments exceeded their maturities by 5.9 percent. That is the direct borrower.

On the insured-loan borrowers, $22,043,000 had fallen due from those 14,074 borrowers still indebted, and they had paid $23,212,000, which is 105.3 percent. In other words, they were ahead of schedule 5.3 percent.

There were 14,074 borrowers involved in that indebtedness outstanding, of which 12,332 were on schedule or were ahead of schedule. There were 1,742 behind schedule.

The record from year to year, Mr. Chairman, has been around 105, 106, or 107 percent, except that, in recent years, the last few years, it has been 1, 2, or 3 percentage points less than it was in earlier years. It isn't quite as favorable.

Mr. WHITTEN. In view of the overall financial plight of agriculture, generally, and in view of the disaster areas of this country, it is hard for me to see how you anticipate that your production and subsistence loan needs will be less this coming year as compared with the present year.

LOAN ASSISTANCE IN DISASTER AREAS

Could we have for the record the number of areas that have been declared disaster areas in agricultural sections. Could we have that included in the record?

Mr. BARNARD. I think, Mr. Chairman—and I will correct this—there have been 32 States that have some areas declared eligible for emergency loans.

Mr. WHITTEN. They have been declared disaster areas—some parts of 32 States out of 48. That shows that just about all of your primary agricultural States have been declared disaster areas.

(The information requested is as follows:)

LIST OF STATES AND COUNTIES DESIGNATED, AS OF FEBRUARY 19, 1958, AS ELIGIBLE FOR INITIAL EMERGENCY-LOAN ASSISTANCE DURING FISCAL YEAR 1958

Alabama (54): Autauga, Baldwin, Barbour, Blount, Bullock, Butler, Chambers, Chilton, Clay, Cleburne, Coffee, Conecuh, Coosa, Crenshaw, Cullman, Dale, Dallas, Elmore, Escambia, Etowah, Franklin, Geneva, Henry, Jackson, Jefferson, Lauderdale, Lawrence, Lee, Limestone, Macon, Madison, Marion, Marshall, Mobile, Morgan, Perry, Pickens, Pike, Randolph, Russell, Shelby, Talladega, Tallapoosa, Tuscaloosa, Walker, Winston, Cherokee, Colbert, Covington, DeKalb, Fayette, Houston, Lamar, St. Clair

Arkansas (52): Clay, Cleburne, Conway, Craighead, Crawford, Cross, Faulkner, Franklin, Greene, Independence, Johnson, Lafayette, Lincoln, Little River, Logan, Miller, Mississippi, Perry, Poinsett, Pope, Pulaski, Sebastian, Van Buren, White, Yell, Arkansas, Ashley, Calhoun, Chicot, Clark, Columbia, Crittenden, Dallas, Desha, Drew, Hempstead, Howard, Jackson, Jefferson, Lawrence, Lee, Lonoke, Monroe, Nevada, Ouachita, Prairie, Phillips, Randolph, St. Francis, Saline, Union, Woodruff

Connecticut (8): Fairfield, Hartford, Litchfield, Middlesex, New Haven, New London, Tolland, Windham

Delaware (3): Kent, New Castle, Sussex

Florida (38): Broward, Charlotte, Collier, Dade, DeSoto, Glades, Hardee, Hendry, Highlands, Hillsborough, Indian River, Lee, Manatee, Martin, Okeechobee, Osceola, Palm Beach, Pinellas, Polk, Sarasota, St. Lucie, Alachua, Baker, Brevard, Citrus, Clay, Duval, Flagler, Hernando, Lake, Marion, Orange, Pasco, Putnam, Seminole, St. Johns, Sumter, Volusia

Georgia (19): Baker, Calhoun, Clay, Decatur, Dougherty, Early, Lee, Miller, Mitchell, Quitman, Randolph, Seminole, Stewart, Sumter, Terrell, Webster, Dooly, Houston, Schley

Illinois (55): Alexander, Bond, Clark, Clay, Christian, Clinton, Coles, Crawford, Cumberland, Douglas, Edgar, Edwards, Effingham, Fayette, Franklin, Gallatin, Greene, Hamilton, Hardin, Jackson, Jasper, Jefferson, Jersey, Johnson, Lawrence, Macoupin, Madison, Marion, Massac, Menard, Monroe, Montgomery, Morgan, Moultrie, Perry, Pope, Pulaski, Randolph, Richland, St. Clair, Saline, Sangamon, Scott, Shelby, Union, Wabash, Washington, Wayne, White, Williamson, Grundy, Iroquois, Kankakee, Will, Livingston

Indiana (51): Benton, Blackford, Boone, Clark, Clay, Crawford, Daviess, Dearborn, Dubois, Floyd, Fountain, Gibson, Greene, Hamilton, Hancock, Harrison, Hendricks, Jackson, Jay, Jefferson, Jennings, Knox, Lawrence, Marion, Martin, Monroe, Montgomery, Morgan, Ohio, Orange, Owen, Parke, Perry, Pike, Posey, Putnam, Randolph, Ripley, Scott, Schelby, Spencer, Sullivan, Switzerland, Tippicanoe, Vanderburg, Vermillion, Vigo, Warren, Warrick, Washington, White

Kansas (45): Cherokee, Crawford, Labette, Montgomery, Neosho, Wilson, Barber, Cheyenne, Clark, Comanche, Decatur, Edwards, Finney, Ford, Gove, Graham, Grant, Gray, Greeley, Hamilton, Haskell, Hodgeman, Kearny, Kiowa, Lane, Logan, Meade, Morton, Ness, Norton, Pawnee, Pratt, Rawlins, Rush, Scott, Seward, Sheridan, Sherman, Stafford, Stanton, Stevens, Thomas, Trego, Wallace, Wichita

Kentucky (6): Christian, Lyon, Trigg, Butler, Muhlenberg, Ohio

Louisiana (43): Acadia, Allen, Avoyelles, Beauregard, Calcasieu, Cameron, Catahoula, Evangeline, Iberia, Jefferson Davis, Lafayette, Pointe Coupee, St. Landry, St. Martin, St. Mary, Vermillion, Bienville, Bossier, Caddo, Caldwell, Claiborne, Concordia, DeSota, East Carroll, Franklin, Grant, Iberville, Jackson, LaSalle, Lincoln, Madison, Morehouse, Natchitoches, Ouachita, Rapides, Red River, Richland, Tensas, Union, Webster, West Baton Rouge, West Carroll, Winn

Maine (2) : Aroostook, Penobscot
Maryland (22) : Allegany, Anne Arundel, Baltimore, Calvert, Caroline, Carroll, Cecil, Charles, Dorchester, Frederick, Harford, Howard, Kent, Montgomery, Prince Georges, Queen Annes, St. Marys, Somerset, Talbot, Washington, Wicomico, Worcester
Massachusetts (11) : Barnstable, Berkshire, Bristol, Dukes, Essex, Hampden, Middlesex, Nantucket, Norfolk, Plymouth, Worcester
Michigan (14) : Bay, Clinton, Genessee, Gratiot, Hyron, Ingham, Isabella, Livingston, Midland, Oakland, Saginaw, Sanilac, Shiawassee, Tuscola
Minnesota (36) : Brown, Lyon, Redwood, Yellow Medicine, Blue Earth, Carver, Chippewa, Clearwater, Dakota, Hennepin, Kandiyohi, Kittson, Le Sueur, Lac Qui Parle, Lincoln, Marshall, Nicollet, Pennington, Pipestone, Polk, Red Lake. Renville, Roseau, Scott, Sibley, Swift, Wright, Beltrami, Big Stone, Traverse, Douglas, Grant, Meeker, Pope, Stearns, Stevens
Mississippi (60) : Adams, Alcorn, Attala, Benton, Bolivar, Calhoun, Carroll, Chicasaw, Choctaw, Claiborne, Clay, Coahoma, De Soto, Franklin, Grenada, Hinds, Holmes, Humphreys, Issaquena, Itawamba, Jefferson, Jefferson Davis, Kemper, Lafayette, Lawrence, Leake, Lee, Leflore, Lowndes, Madison, Marshall, Monroe, Montgomery, Neshoba, Newton, Noxubee, Oktibbeba, Panola, Pontotoc, Prentiss, Quitman, Rankin, Scott, Sharkey, Simpson, Smith, Sunflower, Tallahatchie, Tate, Tippah, Tishomingo, Tunica. Union, Walthall, Warren, Washington, Webster, Winston, Yalobusha, Yazoo
Missouri (28) : Butler, Dunklin, Mississippi, New Madrid, Pemiscot, Scott, Stoddard, Barry, Barton, Bollinger, Cedar, Christian, Crawford, Dade, Franklin, Gasconade, Greene, Iron, Jasper, Jefferson, Lawrence, Ripley, St. Francois, Stone, Taney, Vernon, Washington, Wayne
New Hampshire (3) : Rockingham, Stafford, Hillsboro
New Jersey (21) : Atlantic, Bergen, Burlington, Camden, Cape May, Cumberland, Essex, Gloucester, Hudson, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Salem, Somerset, Sussex, Union, Warren
North Carolina (18) : Beaufort, Camden, Chowan, Currituck, Pamlico, Pasquotank, Perquimans, Tyrrell, Washington, Carteret, Craven, Gates, Onslow, Bertie, Edgecombe, Hertford, Martin, Nash
North Dakota (53) : Adams, Barnes, Benson, Billings, Bottineau, Bowman, Burke, Burleigh, Cass, Cavalier, Dickey, Divide, Dunn, Eddy, Emmons, Foster, Golden Valley, Grand Forks, Grant, Griggs, Hettinger, Kidder, LaMoure, Logan, McHenry, McIntosh, McKenzie, McLean, Mercer, Morton, Mountrail, Nelson, Oliver, Pembina, Pierce, Ramsey, Ransom, Renville, Richland, Rolette, Sargent, Sheridan, Sioux, Slope, Stark, Steele, Stutsman, Towner, Traill, Walsh, Ward, Wells, Williams
Oklahoma (62) : Atoka, Blaine, Bryan, Caddo, Canadian, Carter, Choctaw, Cleveland, Coal, Comanche, Creek, Garfield, Garvin, Grady, Haskell, Hughes, Jackson, Johnston, Kingfisher, Kiowa, Latimer, Le Flore, Logan, Lincoln, McClain, McCurtain, McIntosh, Marshall, Mayes, Murray, Muskogee, Noble, Okfuskee, Oklahoma, Okmulgee, Payne, Pittsburg, Pontotoc, Pottawatomie, Pushmataha, Rogers, Seminole, Sequoyah, Stephens, Tillman, Tulsa, Wagoner, Washita, Beaver, Beckham, Cimarron, Custer, Dewey, Ellis, Greer, Harmon, Harper, Major, Roger Mills, Texas, Woods, Woodward
Pennsylvania (5) : Berks, Greene, Monroe, Montgomery, Washington
Rhode Island (5) : Bristol, Kent, Newport, Providence, Washington
South Dakota (5) : Lincoln, Minnehaha, Moody, Turner, Union
Tennessee (25) : Chester, Crockett, Decatur, Dyer, Fayette, Franklin, Gibson, Giles, Hardeman, Hardin, Haywood, Henderson, Lake, Lauderdale, Lawrence, Lincoln, McNairy, Madison, Marion, Moore, Obion, Shelby, Tipton, Weakley, Wayne
Texas (161) : Anderson, Archer, Atascosa, Bastrop, Baylor, Bee, Bosque, Bowie, Brazoria, Burleson, Caldwell, Calhoun, Callahan, Camp, Cass, Cherokee, Clay, Coleman, Collin, Coma, Concho, Delta, Denton, DeWitt, Eastland, Ellis, Erath, Falls, Fannin, Fayette, Fort Bend, Franklin, Freestone, Fario, Galveston, Goliad, Grayson, Guadalupe, Hamilton, Hunt, Harrison, Hays, Henderson, Hill, Hood, Hopkins, Hunt, Jackson, Jefferson, Johnson, Karnes, Kaufman, Lamar, LaSalle, Lee, Liberty, Limestone, Live Oak, McCulloch, McLennan, McMullen, Matagorda, Medina, Milam, Morris, Macogdoches, Navarro, Palo Pinto, Panola, Parker, Polk. Rains, Red River, Rusk, Sabine, San Augustine, San Saba, Shackelford, Shelby, Somervell, Throckmorton, Titus, Tom Green, Travis, Trinity, Uvalde, Van Zandt, Victoria, Waller, Washington, Wharton, Wichita,

Williamson, Wilson, Wise, Wood, Young, Andrews, Armstrong, Bailey, Borden, Briscoe, Carson, Castro, Childress, Cochran, Collingsworth, Cottle, Crosby, Dallam, Dawson, Deaf Smith, Dickens, Donley, Fisher, Floyd, Gaines, Foard, Garza, Gray, Hale, Hall, Hansford, Hardeman, Hartley, Haskell, Hemphill, Hockley, Howard, Hutchinson, Jones, Kent, King, Knox, Lamb, Lipscomb, Lubbock, Lynn, Martin, Midland Mitchell, Moore, Motley, Nolan, Ochiltree, Oldham, Parmer, Potter, Randall, Roberts, Runnels, Scurry, Sherman, Stonewall, Swisher, Taylor, Terry, Wheeler, Wilbarger, Yoakum.

Virginia (40): Albermarle, Amelia, Appomattox, Bedford, Botetourt, Buckingham, Brunswick, Caroline, Charlotte, Chesterfield, Culpeper, Cumberland, Dinwiddie, Goochland, Greenville, Halifax, Hanover, Henrico, King and Queen, King William, Louisa, Lenenburg, Madison, Mecklenburg, New Kent, Norfolk, Nottoway, Orange, Page, Powhattan, Prince George, Rockingham, Southampton, Spotssylvania, Surry, Accomack, Campbell, Nelson, Northampton, Pittsylvania.

STATES AND COUNTIES DESIGNATED BECAUSE OF SPECIAL GREAT PLAINS LOAN PROGRAM BUT NOT OTHERWISE DESIGNATED

Colorado (22): Adams, Arapahoe, Baca, Bent, Boulder, Cheyenne, Crowley, Elbert, El Paso, Huerfano, Kiowa, Kit Carson, Larimer, Las Animas, Lincoln, Morgan, Otero, Prowers, Pueblo, Washington, Weld, Yuma

New Mexico (12): Colfax, Curry, De Baca, Guadalupe, Harding, Lea, Mora, Quay, Roosevelt, San Miguel, Torrance, Union

Wyoming (3): Goshen, Laramie, Platte

Mr. WHITTEN. On what basis are they declared disaster areas, and once they are so declared, what does that have so far as your programs are concerned?

Mr. BARNARD. Well, the law requires that the Secretary of Agriculture make a determination that a production disaster has occurred to a point where the credit in the community is affected and the average farmer is unable to get credit from his usual sources. When he has made that determination, the Secretary declares a given portion of a State as a disaster area.

Then any farmer within the disaster area who has suffered a substantial production loss is eligible for a loan if he can't otherwise get a loan from his usual sources.

Now, there are three types. The production emergency is the one most common. There is an economic emergency loan designation which depends upon a declaration by the President under Public Law 875 as well as a designation by the Secretary. A production emergency loan area may be declared by the Secretary without the President having first declared a major disaster under Public Law 875. And the third type of designation is under Public Law 727. The Secretary of Agriculture has only to declare that a shortage of credit exists in an area for any reason.

EMERGENCY LOANS

Mr. WHITTEN. Could we have incorporated in the record at this point the pertinent sections of each of these acts?

(The information requested is as follows:)

PERTINENT SECTIONS OF PUBLIC LAWS 38 AND 727 CONCERNING DESIGNATION OF AREAS AS ELIGIBLE FOR EMERGENCY LOAN ASSISTANCE

(Public Law 38, approved April 6, 1949, as amended)

PRODUCTION EMERGENCY LOANS

Section 2 (a): "The Secretary is hereby authorized to make loans to farmers and stockmen for any agricultural purpose in any area or region where he finds that a production disaster has caused a need for agricultural credit not readily available from commercial banks, cooperative lending agencies, or other responsi-

ble sources. Such loans shall be made at such rate of interest, not to exceed 3 per centum per annum, and on such general terms and conditions as the Secretary shall prescribe for such area or region."

ECONOMIC EMERGENCY LOANS

Section 2 (b): "The Secretary is authorized in connection with any major disaster determined by the President to warrant assistance by the Federal Government under Public Law 875, Eighty-first Congress (42 U. S. C. 1855), as amended, to make loans to established farmers and stockmen for any agricultural purpose in the area covered by the determination of the President, if the Secretary finds that an economic disaster has also caused a need for agricultural credit that cannot be met for a temporary period from commercial banks, cooperative lending agencies, the Farmers' Home Administration under its regular loan programs, or other responsible sources. Such loans shall be made at such rate of interest, not to exceed 3 per centum per annum, and on such general terms as the Secretary shall prescribe for such area."

(Public Law 727, approved August 31, 1954, as amended)

SPECIAL EMERGENCY LOANS

Section 1: "*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That until June 30, 1959, the Secretary is authorized to make emergency loans for any agricultural purposes, except for refinancing of existing indebtedness, aggregating not to exceed $65,000,000 to farmers and stockmen in any area or areas where the Secretary determines that there is a need for such credit which cannot be met for a temporary period from commercial banks, cooperative lending agencies, the Farmers' Home Administration under its regular programs or under the Act of April 6, 1949, or other responsible sources."

Mr. NATCHER. Mr. Chairman, will you yield for a minute?

Mr. WHITTEN. I yield.

Mr. NATCHER. What about the different rates of interest on the different loans as far as the disaster area is concerned?

Mr. BARNARD. They are all 3 percent by statute.

Mr. NATCHER. That is all, Mr. Chairman.

Mr. WHITTEN. In that connection, I have met with you repeatedly, and various other members of the House and the Senate have met with you since disaster struck last year, and since the areas have been declared disaster areas.

When we first started having our meetings with you, Mr. Scott, and with your people, at that time you were hesitant about making any allowance for use of machinery. I am pleased to note, as you had advised us earlier, that you have now made an allowance of 15 percent for machinery depreciation which enabled the farmer at least to have that much cushion to retain his machinery so that he can farm.

ADMINISTERING EMERGENCY LOANS

It is my understanding that you have also modified your regulation to the point of authorizing reasonable payments on security indebtedness. How much have you authorized to make payments on it?

Mr. HANSEN. I would like to ask Mr. Smith.

Mr. SMITH. Mr. Chairman, the 15-percent item for depreciation on farm machinery is the only change in the emergency loan policies that has been made with respect to secured indebtedness. When our loan is closed, the 15 percent that is included in the loan budget for depreciation is immediately paid to the secured creditor.

Mr. WHITTEN. I want the pertinent provisions in the law included in this point in the record showing the broad authority that you have under the law to meet these emergencies and the fact that no limitations were included.

Mr. SMITH. Yes, sir.

(The information requested is as follows:)

The provisions of Public Law 38 with respect to the terms and conditions of emergency loans are as follows: Section 2 (a), authorizing production emergency loans, contains the following provision: "Such loans shall be made at such rate of interest, not to exceed 3 per centum per annum, and on such general terms and conditions as the Secretary shall prescribe for such area or region." Section 2 (b), authorizing economic emergency loans, contains the following provision: "Such loans shall be made at such rate of interest, not to exceed 3 per centum per annum, and on such general terms as the Secretary shall prescribe for such area."

Public Law 727, authorizing special emergency loans, is more specific with respect to the terms and conditions of loans. Section 1, in part, provides as follows: "* * * the Secretary is authorized to make emergency loans for any agricultural purposes, except for refinancing of existing indebtedness * * *". Section 2 provides as follows: "Loans under this act shall (1) be made only to individuals or partnerships who are actively engaged in the operation of farms or ranches; (2) not exceed $15,000 in the case of any one loan; (3) not be made to any one borrower so as to increase the total indebtedness of such borrower under this act to an amount in excess of $20,000 (including principal and accrued interest); (4) be made at such rate of interest, not to exceed 3 per centum per annum, and on such terms and conditions as the Secretary shall prescribe for such area or areas; and (5) be secured by the personal obligation and available security of the producer or producers."

Mr. WHITTEN. You can amortize a man's outstanding debts, you can outstretch it a period of years, you can do most anything else under the law to help him stay in business and to keep him going. However, you haven't used all the authorities in that act heretofore.

Now, I am trying to develop what part of that broad authority which you are using.

Now, if a farmer last year had a disaster, and if he owes a land payment or if he has a carryover at the bank, and if his production is mortgaged or if there is a lien against that, and if his equipment is mortgaged, you don't include anything to enable him to pay anything on that security indebtedness that he has outstanding?

Mr. SMITH. Yes, sir. That was the purpose of the change in the policy.

Mr. WHITTEN. Now you said that all you had was 15 percent on machinery. Now he has got land. He has other things that he owns. Are you including these other things?

Mr. SMITH. Yes, sir. We do include in these budgets that are developed for the emergency loan an item of interest—a year's interest—on the real-estate indebtedness or the chattel indebtedness that the farmer owes and we also include an item for taxes that are to be due during the year.

Mr. WHITTEN. Now, what would be your attitude if in X county you had made a loan to a farmer, you had granted him a loan where 15 percent depreciation on his machinery was allowed. He could get something on his machinery and get an agreement that he could use it for another year.

You give him money with which to pay his taxes for which he signs a note and then you went into the bank which held a chattel mortgage and paid a year's interest on that.

Then here is this gasoline dealer that the man owed, who carried over a balance last year and the gasoline dealer goes into court, sues the man and goes out there and levies on all the equity the farmer has on all these things. What would you do? Would you just lose what the Government had invested?

Mr. SCOTT. Well, the Farmers' Home Administration would have a first lien on the crops. They will have a junior lien on his other equipment, generally, I believe is the practice.

Now, the budget that is provided is intended to be adequate to take care of his cash costs of gasoline, fertilizer, and all other such annual costs. He does have the opportunity, as you realize, to go back to these merchants and pay cash for his additional purchases and needs during the current year.

Now certainly that is some help although it doesn't get at this carry-over account.

Mr. WHITTEN. This is an old story. I have repeatedly, by telephone and personally, tried to point this out to you. Now you have modified your policies. I am glad to see you do it because, under the law, you are the one that has the obligation to meet this need in the disaster area during the disaster period.

You are willing to go in there and lend the man some money to pay interest to the man who has the security and therefore is not in near as bad a shape as an unsecured creditor. You are willing to do that. You are willing finally to make him an allowance so he can keep his farm machinery.

But I renew my question. Your answer is informative, but it doesn't answer the question.

In this area you have made a loan to a farmer. You loaned him enough money to pay interest on his secured debts, pay his taxes, make his payments on his machinery.

Then right in the middle of the crop year this fellow he owed from last year goes into court and gets a judgment and sends a sheriff out there to levy on it and take it away from the farmer. What would you do?

Mr. SCOTT. Mr. Chairman, could I respond to that?

Mr. WHITTEN. I am asking you to.

Mr. SCOTT. I believe I am correct in this statement that consistently those of us who have been up here testifying before the committee about the use of these emergency authorities have stated that while we certainly have the very broad authority which you just referred to, that we did not intend to engage in general debt refinancing. We did that in good faith, believing from experience that we were getting throughout the country, that it wasn't necessary to do that. We consider this is a supplemental type of credit in all respects.

Mr. WHITTEN. Well now, you say "supplemental." I don't know that I would agree with your descriptive term, Mr. Scott. If a man has to show he can't get money anywhere else, I would rather call it a desperation source of credit rather than supplemental.

Mr. SCOTT. Mr. Chairman, I was using that term in the sense of not becoming competitive with other lenders.

Mr. WHITTEN. You certainly couldn't, if a man had to show you to be eligible that he couldn't get it anywhere else. I don't believe that would be competitive.

Mr. SCOTT. Well now, we all realize that when conditions develop that farmers or anyone else borrowing can't meet their payments, of course the creditors are, in varying degrees, anxious to get some payments. I think that would be true to some degree at least even where the accounts are pretty well secured. In adverse conditions of that kind, lenders and businessmen are usually in need of some additional repayment.

The Farmers' Home Administration has loaned more than $400 million of this emergency credit and that has been loaned in most all the States. We have a lot of experience here. By and large, the agency has found that banks, production credit associations, merchants, and everyone, when conditions get bad, want to do everything they can to help their farm customers. They don't want to be branded as running out on them. So we start out with that. That is basic to this whole policy here. We really believe that most all of them want to go along, and do go along with the majority of their borrowers.

Now, we are trying to avoid taking over what I honestly think is an unnecessary refinancing of indebtedness, debts that can be carried along. We provide the new credit that they need so that the creditors doesn't have to increase his loan. We have lots of experience, Mr. Chairman, in showing that that does work out satisfactorily.

We have been getting a good deal of urging from some merchants that have the unsecured debts to refinance. Certainly they are in the position, as you say, to start suit. Our experience has been that they have but rarely done that and they have been getting this kind of help generally in all areas.

Mr. WHITTEN. Why would you think that a bank, which has the security mortgage on the man's chattels, would be entitled to interest on what the man owed him, while the store which had advanced money the same way on an open account wouldn't be enttiled to any interest payment?

Mr. SCOTT. I think its a rather practical situation, Mr. Chairman. To be enabled to go ahead and produce another crop or carry on the farm operation, whatever its nature, the farmer, of course, must continue to be in possession of his chattels.

Sometimes the payment of interest on these loans is the thing that justifies the creditor to say, "Yes, we will issue this nondisturbance agreement. We will go along."

Mr. WHITTEN. Now, what you say is very interesting; but it still doesn't answer my question. And I repeat my question: Assuming you had approved the loan application of a farmer in a certain county, you had made him an advance of 15 percent so he could make his machinery payments, you had loaned him money to pay to the bank which had a mortgage on his chattel, you had loaned him money to make his payment on his land or pay interest on it, and you had

loaned him money to make a crop; then, about the middle of the crop year, the local merchant who had a carryover account from last year came over and sued, got a judgment, and had the sheriff take everything away from him; what would you do? That was the question.

Mr. SMITH. Mr. Chairman, we would have several ways.

Mr. WHITTEN. Just answer my question and then I will listen to you all afternoon. This is the third time I have asked it.

Mr. SMITH. I am going to try to answer it, if I may, sir. We would have several ways of protecting ourselves with respect to that particular transaction.

Mr. SMITH. The Government, in the first place, would have a first mortgage on the borrower's crops for the year and, as you know from your experience, the creditor would probably not have any way of

Mr. WHITTEN. What would you do?

levying against the crops that would damage the Government's position. He would, of course——

Mr. WHITTEN. If it was just half finished, he wouldn't get anything from it.

Mr. SMITH. That is right. He could, of course, levy against whatever equity the operator might have in the equipment.

Mr. WHITTEN. That is right.

Mr. SMITH. And in the event he were successful in his levying process and actually took the equipment away from the operator and thereby damaged the Government's position, we could provide him credit to rent equipment if available locally. If he couldn't do that, we could loan him funds to buy equipment and keep him in business.

Mr. WHITTEN. In other words, you are willing to do anything in the world except to pay interest to that unsecured creditor. You would be willing to rent him other equipment. You would be willing to buy him equipment. You would be willing to do anything except change your policy and treat the unsecured creditor on equal terms with secured creditors. That is what it sounds like.

I would just like to say that unsecured creditors do have the right to go into court, and they do have a right to secure judgment. Where the sole purpose of the Government is to enable a man to farm and they protect him in that right by making allowances so he can keep his equipment and keep his land, then I think the Government is very shortsighted in not making provision for having an understanding with the unsecured creditors who have the right to reduce their open accounts to judgments.

I think that, if we justify an amount to pay interest on outstanding obligations secured, it would be good business to make the same kind of allowance in the budget for the man you were lending money to, so he would have some basis to get those who hold his open accounts to agree to go along for the year.

Mr. SCOTT. Mr. Chairman, I think you have made a good practical suggestion. Let me say this, if I might. As I indicated earlier, we have consistently felt that there was an understanding that we were not going to engage in refinancing debts with these emergency-loan programs.

Mr. WHITTEN. Of course, Mr. Scott, a man who is in debt would naturally like to get a 5 to 6 percent interest-bearing debt for 3 percent, which is the rate you charge. I have a lot of friends who would like to get money from you as against their present source for that reason alone. I realize it constitutes one of the problems you have.

But we are discussing here now a man you have decided to make a loan to. In order to enable him to farm, you have gone so far as to pay his taxes, made the payment on his machinery, covered the mortgage on his farm, and paid the man who had a chattel mortgage. But for all the open accounts, which have a right to go into court and have a right to get you across a barrel, you leave them completely out, where you don't know whether you can count on their laying over for a whole year or not.

If the Government is going to pay enough money for a year's bank charges, because it is fair to those he already owed, why exclude the man who took his word for it. He is the one who helped the man without requiring a deed or trust. Because he was so willing to go along with the man's word, he is still left out when the Government comes into it.

Mr. SCOTT. Mr. Chairman. To continue a little further on our reasons for feeling that we should not get into this debt refinancing, we are going to——

Mr. WHITTEN. May I interrupt right now to say that what I am suggesting is not a refinancing.

Mr. SCOTT. I appreciate that, Mr. Chairman. But there have been a good many requests that we engage in debt refinancing.

Mr. WHITTEN. I just meant to keep the subjects separated. What I have been discussing is not a refinancing of loans.

Mr. SCOTT. Yes, and I indicated, I think, that you have made a very practical suggestion in that respect.

But to get into this general debt refinancing of unsecured accounts as we have been urged strongly to do in recent weeks, is certainly going to result in an entirely different loan than we have been making.

Now, when we provide the type of credit that Mr. Smith has mentioned, all these operating costs, the taxes, the interest on the land debt and the interest on the secured debts, and now this depreciation charge, we still have some margin of expected income based on their average production. We take only whatever priority of lien is available as security on equipment.

Now, the losses have been rather sharp on these loans. I think the assistance has been very good. It served a very fine purpose. But I do want to mention that the losses have been significant.

Now, if we get into these open accounts, we are going to run into some situations where the loans that the FHA makes are going to be very heavy. I think we ought to explore the suggestion that you have made. I think it is a practical one.

Mr. WHITTEN. I was just pointing out what the open accounts are liable to do if they want to.

Mr. SCOTT. That is true. We have modified our regulations along in light of experience. Up to now, we haven't had but very little of that difficulty.

We felt we had conveyed to you and the other folks who requested it why we were not going into this type of lending. We feel we should have guidance from the Congress as to whether we ought to get into this kind of lending, or the other question we have had as to whether we had enough money to engage in it. I am again speaking about the general debt refinancing that we have been urged to go into and not just the practical suggestion you have made in trying to arrive at some understanding with these creditors by the making of some modest payment.

Mr. WHITTEN. Well, I just think that, in line with what you do for other creditors who are secured, you certainly perceive the wisdom of going that far with those who are not secured but who could take action to protect themselves.

APPLICATIONS AND LOANS MADE

Now, I would like for the record to show how many emergency applications you have had and how many loans you have approved by States and counties to the fullest extent you have it available.

Mr. SCOTT. Fine.

(The information referred to is as follows:)

Applications and loans made: Emergency and special livestock loans from the disaster loan revolving fund in fiscal year 1958 through Feb. 7, 1958

State and territory	Emergency loans in States designated as eligible for initial loan assistance in fiscal year 1958						Emergency loans in States not currently designated as eligible for initial loan assistance		Special livestock loans		Total loans	
	Applications for initial loans received as of Jan. 31, 1958	Loans as of Feb. 7, 1958										
		Initial loans		Subsequent loans to indebted borrowers		Total amount loaned						
		Number	Amount	Number	Amount		Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
United States total	6,658	3,400	$9,910,010	6,344	$12,146,480	$22,056,490	126	$512,081	395	$4,747,206	10,265	$27,315,777
Alabama	264	84	134,145			134,145			1	1,500	85	135,645
Arizona							1	5,200			1	5,200
Arkansas	451	110	446,480	44	49,622	496,102			2	9,000	156	505,102
California							1	6,007			1	6,007
Colorado	46	46	280,300	212	552,226	832,526			29	325,285	287	1,157,811
Connecticut	1						2	1,900			2	1,900
Delaware	7	1	500	1	1,500	2,000					2	2,000
Florida	149	53	736,040	24	174,598	910,638			1	25,000	78	935,638
Georgia	145	39	127,390	4	1,900	129,290			2	30,965	45	160,255
Idaho							2	11,070	6	127,870	8	138,940
Illinois	55	16	34,170	2	1,800	35,970					18	35,970
Indiana	27	9	34,720			34,720					9	34,720
Iowa												
Kansas	366	224	802,240	284	1,256,856	2,059,096			6	26,495	514	2,085,591
Kentucky	5	9	12,050			12,050					9	12,050
Louisiana	401	111	211,615	1	6,002	217,617					112	217,617
Maine	6	1	350	510	937,125	937,475					511	937,475
Maryland	13	3	5,250	1	3,000	8,250					4	8,250
Massachusetts	12	4	13,700	2	4,200	17,900					6	17,900
Michigan	30	7	40,155	1	2,400	42,555					8	42,555
Minnesota	54	12	12,820	3	5,005	17,825					15	17,825
Mississippi	828	498	579,390	28	10,347	589,737					526	589,737
Missouri	864	480	1,337,350	81	103,278	1,440,628			8	15,600	569	1,456,228
Montana									27	255,748	27	255,748
Nebraska							12	11,920			12	11,920
Nevada	1						1	6,600	3	87,880	4	94,480
New Hampshire	3											
New Jersey	54	22	112,400	5	17,930	130,330			1	1,000	28	131,330
New Mexico	55	39	291,165	35	169,388	460,553			27	507,525	101	968,078
New York							4	10,290			4	10,290
North Carolina	94	32	107,195	15	19,320	126,515					47	126,515

North Dakota							7	1,251			7	1,251
Ohio									30	172,110	507	1,076,569
Oklahoma	404	285	472,225	192	432,234	904,459	2	18,401	5	49,740	7	68,141
Oregon	6	1	600	2	12,403	13,003			1	2,500	4	15,503
Pennsylvania	2	1	1,600			1,600					1	1,600
Rhode Island	5						29	25,851			29	25,851
South Carolina	4						10	6,960	8	94,295	18	101,255
South Dakota	26						2	340	1	2,000	3	2,340
Tennessee	2,105	1,238	3,916,400	4,876	8,310,461	12,226,861			219	2,629,250	6,333	14,856,111
Texas									14	281,943	14	281,943
Utah	91	27	24,250			24,250					27	24,250
Virginia	6						38	352,388			38	352,388
Washington							2	15,800			2	15,800
West Virginia	72	48	175,510	21	74,885	250,395			4	101,500	73	351,895
Wyoming	6						13	38,103			13	38,103
Puerto Rico												

Mr. WHITTEN. Now we come to this refinancing which you have just discussed.

You know when conditions require it, somebody comes in usually and makes some arrangements. Now, as a result of this disastrous situation facing so much of the country and since the availability of funds has been so short, the Congress has passed a small-business bill which I understand the President either has signed or will sign in a day or two. The Small Business Administration will come in and be available for certain types of loans.

It is my understanding that the Farm Credit Administration is making available to the Production Credit Association something like $40 million in the purchase of class A stock which would make money available so that the Production Credit Associations can look after the needs of their present borrowers.

That stock will be purchased and they will have a lien on the Production Credit Associations, whatever value they have, and most of them are farmer-owned, or largely so.

Now, then, the Farmers' Home Administration has the responsibility of meeting the rest of the need.

Now, I agree with you that it is much better if the man could go ahead and get his money from his present sources, because he is satisfied with whoever he is doing business with. If it is the Production Credit Associations, they don't want to lose their regular customers or borrowers. Banks don't want to lose theirs; and nobody else does.

On this point I had rather a lengthy discussion with the Secretary with reference to a bill which I had introduced and which I would like to include in the record at this point. In this bill I ask the Congress to provide that you come in and make a participating loan with the present borrower where you would put up a percentage of money for a new crop and the bank might put up a new percentage.

(The bill is as follows:)

[H. R. 10132, 85th Cong., 2d sess.]

A BILL To broaden use of disaster loan revolving fund

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 2 of Public Law 38, Eighty-first Congress, is hereby amended by adding at the end thereof the following sections:

"(c) The Secretary is authorized to participate in production disaster loans to farmers and stockmen made by commercial banks, cooperative lending agencies, or other regular responsible sources of credit up to 80 per centum of the amount of the loan. The Secretary may utilize the revolving fund created by section 84 of the Farm Credit Act of 1933, as amended (12 U. S. C. 1148a), for the Federal Government's share of such loan and for administrative expenses in connection therewith.

"(d) The Secretary is authorized to insure and make commitments to insure production disaster loans made by responsible lenders other than the United States and to include in such insurance contracts agreements to service loans insured thereunder and to purchase such loans on such terms and conditions as he may prescribe. The Secretary shall utilize the revolving fund created by section 84 of the Farm Credit Act of 1933, as amended (12 U. S. C. 1148a), for making such loans and for administrative expenses in connection therewith. He may utilize the fund to pay taxes, insurance, prior liens, and other expenses to protect the security for loans which have been insured thereunder."

Mr. WHITTEN. That is one aspect of it. The other would be that, instead of your replacing his present source of credit, you could insure a private loan on his present crop on all or a large percentage of any advance investigation you might make for this new crop, based on how much it took to make last year's crop.

You might insure 57 percent of the amount it took to farm last year's crop.

Now, the advantage of that approach, if it were enacted, would be that you wouldn't have to have all the personnel that you presently have to actually look after the the use of your own money. You would not disturb nor break the relationship between the farmer and his present source of credit. In other words, business would go along at the usual pace, in the same way with the same people. You would just merely insure, as you recommend that you insure, these other class programs.

Now, the Secretary, if I may say so, seemed to be very much impressed with the discussion that I presented to him. He took all the copies of the bill that I had and advised me that he was going to take it up with you. I wonder if you have had any chance to study that and what recommendations the Department may make to the agricultural committee. Do you have any comments now as to that approach?

Mr. SCOTT. Mr. Chairman, we haven't firmed up an opinion on it.

Henry, have you any notes on this?

I am sorry, Mr. Chairman, I didn't bring my notes with me on this bill.

INSURING OF CHATTEL LOANS

Mr. SMITH. Mr. Chairman, we have given some consideration over the years to whether there was any practical way for the Government to handle the insuring of loans in the chattel and production credit field. That presents, as you readily recognize, quite a different problem than insuring long-term real estate loans which the Government is now doing under the farm ownership and soil and water loan authority.

Some of the difficulties that would arise in connection with the insuring of chattel loans is that generally speaking private credit sources either want a customer in that type of credit in total or not at all. If they don't want the loan alone, the Government would have to insure the entire advance. They would not want to assume any of the risk.

In other words, the farmers in your section of the country that have a good credit standing, banks and PCA's and so on generally would take the customer and provide a line of credit that he would need for the year and wouldn't need any Government endorsement on the paper.

Mr. WHITTEN. I am talking about this disaster situation which you face. I am just offering this as a much better solution than the program you are following. Under your program you break his relationship with his former source of credit.

Mr. SMITH. Well only for 1 year, sir.

Mr. WHITTEN. That is right. But you have a Farmers' Home Administration, and my relations are very excellent with all of you, you have some mighty good people. But they are not accustomed to

dealing with some of the big-time operations that they are bound to be supervising under some of the loans that are made in some of your big areas of this country.

Take the Mississippi Delta, for instance, and the type of operation that you have there. When you have a man earning $6,000 or $7,000 handling hundreds of millions of dollars in loans is out of the usual line of experience that he has had.

Now, under my approach, you would say to the regular sources of credit, "You carry this man, we will insure 57 percent of the money that you have advanced him last year."

Then you have got a one-time proposition there. It seems to me that it would enable you to work out some of these things that are very difficult to reach now under your present policy.

Mr. SMITH. All I am saying in response to that is that your proposal is that you channel into this area, into the 31 States, actually, where emergency loans are now being made, that you work out a method whereby you would channel private credit into those 31 States, those emergency areas, and the Government would underwrite the loans made by private sources of credit. That would be the principle.

Mr. WHITTEN. You and I are talking about two different things. I am saying that instead of making the actual loan, you would give a guaranty to the present source of credit, instead of putting your actual money in.

Mr. SMITH. In response to that, we would have to get bankers to testify on the point because I am not a banker, but I submit to you that if the banker furnished the money, he would want a 100-percent guaranty from the Government. He would not want to assume any of the risks in our business. Our business is marginal credit, Mr. Chairman, as you well know, and I do not believe that——

Mr. WHITTEN. You are talking about your regular program, Mr. Smith. We are not talking about the same thing at all.

Mr. SMITH. No, I am talking about emergencies.

Mr. WHITTEN. You have gone into these areas.

Mr. SMITH. That is right.

Mr. WHITTEN. And you are going into some more you say, and you have taken over the banks' customers and you are going to run many a year, aren't you?

I am saying in that instead of having the Farmer's Home Administration's local supervisors looking after this big volume of business, if you had insured say 57 percent of as much as they loaned him last year, then you wouldn't have to have a lot of personnel to go down there and handle it. You wouldn't break the line of regular credit.

So far as I know, you don't have that authority now. I don't know whether your insurance program is that broad or not.

Mr. SMITH. It is not.

Mr. WHITTEN. And I was asking you what your attitude was and whether it would work or not.

I believe I asked you to put in the record the number of applications you had and the number of approvals by States and counties to the extent that you can.

FARM HOUSING LOANS

Now, I would like to turn briefly to the Farm Housing loans under Public Law 1020. It has been my observation since I have been in

Congress that all this rural housing is just thrown in to get farm votes for the housing program. Then when they get them in they dry up for some reason.

It looks like that may be happening at the present time in rural housing, based on the decrease that you have in this budget as compared with last year.

What efforts have you made to promote this program, I mean to make it readily available to farmers?

Mr. HANSEN. I think we have given it about as much emphasis as we have any of our programs through our regular information sources, Mr. Chairman, and we certainly feel that our people have treated each of the applications which have come to us in the usual manner and tried to serve all of those that were eligible.

Mr. WHITTEN. How many loans have you made and how many applications have you had by States?

Mr. BARNARD. I will give you the totals.

By years, Mr. Chairman, this is the record for the Farm Housing loans. The program first began in the fiscal year 1950. In 1950, we made 3,791 initial loans for $17,229,000.

In 1951, we made 5,154 loans for $24,105,000.

In 1952, we made 4,051 loans for $20,777,000.

In 1953, we made 3,272 loans for $19,110,000.

In 1954, we made 2,676 loans for $16,015,000.

That was the first 5-year program and then the statute was changed to give us authorization to borrow from the Treasury $450 million for the 5-year period 1957–61. There was no program in 1955.

In 1956, there was a supplemental appropriation prior to this $450 million that this committee initiated of $5 million. That year we made 506 loans for $3,660,000.

In 1957, we made 3,163 loans for $21,291,000.

An so far this fiscal year, through February 14—I don't have the number of loans, but the amount is $14,363,000.

Mr. WHITTEN. I would like for you to show that by states in the record, and I would like to know the number of applications.

Mr. BARNARD. All right.

(The information requested is as follows:)

Farm housing loans: Applications for initial loans received, number initial loans made, and total amount loaned, by fiscal year from beginning of program through Jan. 31, 1958

State and Territory	1950 fiscal year			1951 fiscal year			1952 fiscal year			1953 fiscal year		
	Number applications (1)	Number initial loans (2)	Total amount loaned (3)	Number applications (4)	Number initial loans (5)	Total amount loaned (6)	Number applications (7)	Number initial loans (8)	Total amount loaned (9)	Number applications (10)	Number initial loans (11)	Total amount loaned (12)
United States total	21,747	3,791	$17,229,474	14,805	5,296	$24,104,841	15,584	4,255	$20,776,854	11,065	3,445	$19,110,020
Initial loans	21,747	3,791	17,229,474	14,805	5,154	23,915,293	15,584	4,051	20,457,639	11,065	3,272	18,773,682
Subsequent loans					142	189,548		204	319,215		173	336,338
Alabama	1,289	226	1,150,270	795	232	1,184,410	1,226	208	1,170,701	774	219	1,357,098
Arizona	85	20	112,000	77	28	175,580	72	25	189,623	61	14	122,897
Arkansas	1,033	83	276,190	881	232	703,871	1,090	323	979,353	623	195	714,927
California	610	128	672,880	388	118	602,708	382	91	532,778	353	60	470,204
Colorado	204	30	139,160	185	67	393,555	198	53	303,963	94	46	303,646
Connecticut	23	3	6,027	36	9	32,490	44	12	37,850	21	9	56,970
Delaware	10			2	2	13,540	8	3	12,750	3		
Florida	560	59	267,355	343	92	461,246	364	107	648,163	304	60	405,013
Georgia	1,415	260	1,042,530	1,108	329	1,496,304	1,248	267	1,347,002	801	168	992,231
Idaho	540	87	518,450	247	119	692,989	206	47	294,352	176	51	338,860
Illinois	299	83	293,610	189	87	329,168	176	58	253,413	113	64	252,044
Indiana	318	54	235,165	209	97	431,957	238	72	354,220	138	52	315,315
Iowa	203	43	194,915	176	65	260,605	287	115	527,870	183	75	389,469
Kansas	204	53	203,300	198	86	422,363	226	62	356,936	133	48	289,897
Kentucky	553	80	342,342	286	102	480,509	305	67	387,005	272	121	721,295
Louisiana	602	123	518,210	560	185	899,086	539	132	703,117	456	121	698,402
Maine	216	49	164,834	260	80	296,908	167	58	233,255	131	44	205,233
Maryland	135	35	145,475	84	22	97,155	77	34	187,981	79	32	201,085
Massachusetts	30	2	6,200	49	5	28,796	42	7	38,452	19	4	18,010
Michigan	472	85	386,069	321	149	705,634	237	69	321,214	184	62	322,039
Minnesota	427	53	196,667	237	79	299,014	237	70	314,913	228	68	305,961
Mississippi	1,111	151	530,750	930	277	1,072,109	1,073	301	1,227,094	777	251	1,176,620
Missouri	876	180	550,380	608	220	734,276	726	205	804,094	541	179	779,964
Montana	242	48	296,345	134	47	221,670	113	33	186,900	101	33	227,208
Nebraska	314	101	456,865	240	130	516,927	138	69	323,258	82	39	210,760
Nevada	32	6	44,300	25	7	49,100	11	6	43,295	17	3	19,612
New Hampshire	63	1	500	24	3	8,895	19	4	12,125	22	4	18,950
New Jersey	165	23	82,574	123	33	143,515	157	32	178,621	84	37	243,198
New Mexico	320	54	244,329	141	58	279,350	185	52	340,557	155	41	266,353
New York	243	35	128,110	165	47	216,857	104	32	171,465	105	27	202,859
North Carolina	831	115	535,565	521	194	947,916	699	167	909,275	532	150	1,090,111
North Dakota	292	15	67,830	184	64	348,241	202	39	239,363	180	46	324,694
Ohio	303	25	98,815	146	60	278,780	186	47	205,595	94	49	227,700

Oklahoma	1,202	256	1,165,174	750	303	1,385,425	871	208	1,084,014	443	121	777,766
Oregon	235	49	344,066	174	67	421,258	167	53	323,919	120	25	168,226
Pennsylvania	467	89	333,813	281	130	443,199	233	73	394,023	131	56	302,713
Rhode Island	3			1			7			6	2	5,570
South Carolina	512	104	552,390	457	177	954,967	491	145	845,963	347	94	653,090
South Dakota	218	48	237,964	156	70	332,401	122	28	140,340	121	39	250,524
Tennessee	783	137	606,340	479	192	966,182	379	57	323,709	367	106	633,334
Texas	1,602	338	1,567,099	988	309	1,647,013	805	234	1,506,133	590	147	977,685
Utah	496	75	469,012	172	100	574,186	151	40	230,649	95	31	226,699
Vermont	38	1	3,170	22	7	25,175	17	5	17,650	14	3	18,280
Virginia	379	86	448,484	255	93	518,362	283	64	457,670	182	64	480,093
Washington	338	49	371,125	219	64	402,954	152	41	265,079	147	34	216,528
West Virginia	328	63	347,005	227	76	485,689	232	45	262,653	159	35	288,717
Wisconsin	314	58	234,650	193	90	355,997	158	61	310,034	146	53	275,278
Wyoming	152	45	218,81	105	45	240,980	101	27	162,895	80	16	117,092
Alaska	26			2	1	1,000	1			2		
Hawaii	46	21	179,940	77	25	182,015	87	31	265,640	49	19	161,674
Puerto Rico	572	67	240,920	372	77	333,684	332	65	319,720	219	53	271,626
Virgin Islands	16	1	1,500	3	3	8,830	13	7	30,300	11	2	16,500

NOTE.—No loans were made in fiscal year 1955.

Farm housing loans: Applications for initial loans received, number initial loans made, and total amount loaned, by fiscal year from beginning of program through Jan. 31, 1958—Continued

State and Territory	1954 fiscal year			1956 fiscal year			1957 fiscal year			1958 fiscal year through Jan. 31		
	Number applications (13)	Number initial loans (14)	Total amount loaned (15)	Number applications (16)	Number initial loans (17)	Total amount loaned (18)	Number applications (19)	Number initial loans (20)	Total amount loaned (21)	Number applications (22)	Number initial loans (23)	Total amount loaned (24)
United States total	6,889	2,801	$16,014,793	2,085	545	$3,660,031	9,923	3,358	$21,290,884	5,499	2,090	$13,633,793
Initial loans	6,889	2,676	15,720,218	2,085	506	3,451,434	9,923	3,163	20,592,902	5,499	1,929	13,089,030
Subsequent loans		125	294,575		39	208,597		195	697,982		161	544,763
Alabama	641	177	880,022	178	31	273,920	814	207	1,433,194	454	122	826,800
Arizona	28	16	145,462	5	3	22,692	14	5	34,600	15	3	45,036
Arkansas	574	153	601,066	116	35	197,789	460	116	559,556	355	64	307,726
California	95	60	536,621	30	8	82,644	271	68	648,207	126	48	483,559
Colorado	87	30	188,963	13	1	9,304	44	10	67,246	33	3	27,806
Connecticut	7	1	8,745	3			10	2	20,000	2		
Delaware	1			1			6	4	31,500	1		
Florida	144	48	379,978	69	20	161,915	452	167	1,420,357	288	134	1,196,320
Georgia	508	146	874,496	110	29	203,397	706	203	1,218,742	344	122	801,267
Idaho	79	37	265,361	13	5	42,131	163	39	386,328	93	30	344,733
Illinois	118	66	293,373	20	7	45,592	114	43	251,402	45	17	104,876
Indiana	115	42	300,780	14	3	20,992	108	26	171,993	56	13	94,728
Iowa	102	67	352,002	9			100	36	199,056	70	33	201,517
Kansas	97	33	261,757	16	4	20,711	101	38	218,606	48	16	98,023
Kentucky	149	76	446,703	44	12	94,098	215	59	377,880	111	36	270,620
Louisiana	126	84	533,185	102	28	213,561	324	126	915,378	159	46	290,569
Maine	71	36	179,093	12	6	50,389	112	59	405,290	80	39	208,971
Maryland	40	24	185,325	13	4	33,410	52	24	219,820	20	9	89,551
Massachusetts	14	4	26,350	1			14	6	29,665	3	1	13,125
Michigan	163	66	359,937	56	13	93,497	162	50	347,443	112	51	392,000
Minnesota	142	53	230,051	34	4	28,901	196	37	224,345	115	52	359,663
Mississippi	488	184	958,195	241	73	396,949	991	415	2,192,307	498	208	1,079,370
Missouri	343	151	540,132	156	23	124,039	546	213	1,052,124	256	99	582,746
Montana	31	30	244,542	31	3	10,212	77	25	255,516	35	7	78,721
Nebraska	62	30	184,961	6	2	19,145	44	13	96,365	27	21	108,163
Nevada	4	2	13,147	3			13	3	29,166	6	3	25,610
New Hampshire	12	4	25,000	3	2	7,950	13	2	5,360	4	2	5,453
New Jersey	105	36	179,186	8	4	30,500	35	17	158,887	22	3	26,405
New Mexico	66	36	241,785	16	1	18,285	73	22	182,760	41	9	68,940
New York	42	28	218,091	13			67	19	120,740	58	28	159,688
North Carolina	280	134	882,086	98	34	277,997	507	124	945,416	297	83	656,730
North Dakota	112	35	273,594	42	4	53,291	236	88	884,745	128	72	612,821
Ohio	102	23	151,357	15	2	18,561	96	38	213,080	51	27	170,960

Oklahoma	277	93	571,960	83	16	120,884	328	94	534,824	171	37	229,141
Oregon	51	14	97,955	5	1	6,570	98	27	236,895	72	37	311,225
Pennsylvania	138	20	133,630	27	3	21,694	149	45	279,262	99	34	191,892
Rhode Island	4											
South Carolina	196	99	641,983	74	34	262,423	245	74	506,414	149	34	287,169
South Dakota	84	51	301,096	12			62	18	157,479	33	17	138,444
Tennessee	265	113	626,518	91	25	130,553	443	182	1,056,336	254	123	728,722
Texas	257	136	1,026,137	63	24	211,213	374	108	851,403	188	55	513,192
Utah	38	23	181,270	18	5	44,720	112	47	360,864	63	25	234,525
Vermont	11	2	7,100				5	3	33,600	6	2	4,700
Virginia	135	47	358,117	57	8	56,229	157	34	300,505	82	7	38,596
Washington	71	26	206,409	13	2	18,021	137	37	333,272	94	41	341,914
West Virginia	141	39	270,316	45	5	52,581	153	32	221,404	61	19	172,233
Wisconsin	110	42	233,426	37	4	29,806	175	58	327,432	129	53	380,434
Wyoming	34	10	88,951	7	2	22,705	64	25	249,791	46	14	128,870
Alaska							3			7	3	8,780
Hawaii	31	7	48,950	8	4	45,830	40	16	139,150	18	5	49,760
Puerto Rico	93	38	227,978	50	11	79,930	235	58	371,179	73	22	141,699
Virgin Islands	5	4	31,051	4	1	5,000	7	1	14,000	1		

Mr. WHITTEN. And I would also like the number of applications in connection with production and subsistence loans and farm tenant purchase loans, and the number approved for the last several years—by States, please.

(The information requested is as follows:)

Direct and insured farm ownership: Comparison of applications for initial loans received and initial direct and insured loans made, by fiscal year 1955–57 and 1958 through Jan. 31

State and Territory	1955 fiscal year		1956 fiscal year		1957 fiscal year		1958 fiscal year through Jan. 31	
	Applications for initial loans received (1)	Initial loans made (2)	Applications for initial loans received (3)	Initial loans made (4)	Applications for initial loans received (5)	Initial loans made (6)	Applications for initial loans received (7)	Initial loans made (8)
United States total	35,440	4,319	28,884	4,388	34,839	5,493	13,257	1,743
Alabama	2,093	213	1,435	207	1,398	229	661	65
Arizona	134	18	74	5	46	17	18	1
Arkansas	1,274	103	985	102	1,306	200	577	74
California	322	41	233	48	418	49	65	13
Colorado	253	19	274	21	457	52	133	18
Connecticut	23	2	12	1	23	5	6	3
Delaware	28	6	19	4	23	1	8	2
Florida	462	54	445	90	473	103	146	24
Georgia	2,775	216	1,826	181	1,892	283	782	84
Idaho	546	132	366	125	697	134	225	37
Illinois	557	82	409	93	568	118	208	25
Indiana	802	53	502	53	655	108	319	36
Iowa	975	147	581	88	803	108	328	46
Kansas	768	85	718	90	791	120	263	34
Kentucky	797	73	735	91	1,020	119	525	52
Louisiana	833	104	556	105	609	153	235	68
Maine	294	79	360	114	294	60	92	33
Maryland	145	21	109	16	167	26	61	10
Massachusetts	58	0	43	5	47	8	26	1
Michigan	499	98	552	122	565	104	156	15
Minnesota	1,060	93	910	86	1,301	149	415	52
Mississippi	2,552	367	1,900	365	2,035	405	830	103
Missouri	1,978	283	1,872	222	2,440	312	964	101
Montana	235	21	202	40	458	60	112	25
Nebraska	670	46	464	44	597	99	231	22
Nevada	23	5	34	2	37	3	16	3
New Hampshire	66	6	41	9	52	6	25	7
New Jersey	123	23	127	32	250	43	27	19
New Mexico	194	61	133	30	244	62	98	9
New York	456	100	379	58	535	51	99	18
North Carolina	2,130	263	1,942	288	1,862	238	932	70
North Dakota	1,014	159	1,159	191	1,811	317	479	86
Ohio	781	50	513	46	725	89	307	28
Oklahoma	1,111	81	919	115	1,196	204	377	52
Oregon	169	40	177	45	243	40	93	13
Pennsylvania	829	85	630	105	726	113	197	29
Rhode Island	6	0	10	0	6	0	3	0
South Carolina	844	149	551	91	565	113	300	50
South Dakota	586	79	506	87	694	98	143	37
Tennessee	1,349	136	1,313	247	1,294	250	738	103
Texas	1,483	149	1,280	190	1,276	187	504	40
Utah	200	35	242	58	327	48	70	17
Vermont	141	2	156	17	138	12	67	7
Virginia	713	77	568	58	693	90	252	32
Washington	615	141	492	87	651	98	282	53
West Virginia	463	50	427	47	471	67	196	20
Wisconsin	1,224	210	1,076	186	1,230	211	413	58
Wyoming	72	21	107	23	250	62	57	16
Alaska	11	1	22	4	14	5	5	2
Hawaii	149	26	148	43	123	39	21	8
Puerto Rico	433	12	331	11	338	25	159	22
Virgin Islands	32	2	19	0	15	0	11	0

Operating loans (production and subsistence loans): Comparison of applications for initial loans received and initial loans made from borrowed funds and State rural rehabilitation corporation funds by fiscal year 1955–57 and 1958 through Jan. 31

State and Territory	1955 fiscal year		1956 fiscal year		1957 fiscal year		1958 fiscal year through Jan. 31	
	Applications for initial loans received	Initial loans made	Applications for initial loans received	Initial loans made	Applications for initial loans received	Initial loans made	Applications for initial loans received	Initial loans made
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
United States total	67,708	25,481	63,955	27,015	67,768	28,318	33,554	11,489
Alabama	2,597	1,204	2,553	1,504	2,614	1,611	1,304	503
Arizona	495	171	338	137	209	67	140	21
Arkansas	2,695	1,054	2,926	1,005	3,034	1,131	1,575	399
California	943	301	858	257	945	309	388	97
Colorado	880	269	892	312	922	371	363	82
Connecticut	53	19	26	7	41	9	11	2
Delaware	46	19	26	9	39	18	12	5
Florida	1,000	372	1,182	427	985	398	516	204
Georgia	2,302	707	1,797	728	1,856	920	938	384
Idaho	1,188	480	1,037	486	1,240	500	673	263
Illinois	1,970	682	2,066	591	1,533	752	930	282
Indiana	1,248	479	1,245	540	1,113	447	605	156
Iowa	1,737	468	2,801	1,011	2,277	1,088	1,298	305
Kansas	1,420	544	1,084	389	1,162	437	621	196
Kentucky	2,165	909	1,897	889	1,736	862	1,048	405
Louisiana	1,963	982	1,436	764	1,926	1,287	1,032	506
Maine	539	354	661	268	581	253	293	88
Maryland	459	209	359	194	452	249	218	112
Massachusetts	99	16	85	18	99	20	43	4
Michigan	1,630	586	1,723	577	1,528	410	759	161
Minnesota	2,596	748	2,290	608	2,611	785	1,062	216
Mississippi	3,080	1,822	2,841	1,891	2,829	1,757	1,331	630
Missouri	2,673	996	2,112	738	2,186	798	1,155	351
Montana	810	278	675	300	970	346	421	107
Nebraska	1,304	454	2,107	883	2,163	963	528	162
Nevada	64	11	91	23	66	20	39	11
New Hampshire	207	39	145	25	156	32	77	12
New Jersey	620	234	339	136	410	206	150	65
New Mexico	877	290	549	248	599	265	298	77
New York	1,451	358	1,568	367	1,425	294	513	98
North Carolina	3,401	1,815	3,306	1,888	4,287	1,943	2,827	1,284
North Dakota	1,578	518	1,306	478	1,928	610	702	303
Ohio	1,154	341	788	287	994	308	523	141
Oklahoma	2,815	908	2,113	737	2,192	929	1,237	456
Oregon	977	171	888	164	1,170	221	968	109
Pennsylvania	1,602	390	1,206	307	1,229	296	513	144
Rhode Island	13	3	30	7	23	4	18	0
South Carolina	1,753	1,138	2,625	1,854	2,479	1,560	1,433	835
South Dakota	1,573	548	1,265	540	1,457	575	573	178
Tennessee	1,435	606	1,713	851	1,577	782	879	298
Texas	4,496	1,525	3,604	1,354	4,688	1,880	2,450	836
Utah	479	205	422	173	524	221	217	107
Vermont	313	21	261	36	350	18	123	11
Virginia	1,403	544	1,491	724	1,187	536	408	109
Washington	1,570	284	1,587	339	1,381	371	687	155
West Virginia	785	261	719	300	672	310	329	121
Wisconsin	1,914	541	1,479	485	1,465	477	711	249
Wyoming	444	182	425	181	446	202	230	77
Alaska	21	6	21	9	19	8	11	1
Hawaii	140	56	157	87	145	88	73	55
Puerto Rico	716	376	815	379	805	357	292	115
Virgin Islands	16	7	22	13	33	17	9	1

Mr. WHITTEN. Now, you mentioned if you were to broaden your program under the law for these loan needs in disaster areas, that you are afraid you would run out of funds.

STATUS OF DISASTER LOAN REVOLVING FUND

What is the status of your disaster revolving funds?

Mr. BARNARD. Right now, Mr. Chairman, there is about $43 million in the fund.

We have just yesterday requested the Bureau of the Budget to increase the third quarter apportionment because of the fact that this delta area lending wasn't anticipated when we made the original apportionment. We requested it be increased by about $11,500,000, which I am now afraid is going to be too little.

Incidentally and strangly enough, the collections have been much greater than we thought they would be.

It would appear with the Delta lending and the Florida freeze, and a few of the other things that might develop from the current cold wave, that the fund, while it would be liquid at the end of the year, may not have more than $15 million, if that much left on June 30, 1958.

Mr. WHITTEN. Could we put in the record here the history of the use of this fund for the last 3 or 4, 5 years?

Mr. BARNARD (indicating pages). That would give it to you through 1957. The 1958 estimates have been changed since then.

Mr. WHITTEN. You might bring it down to date and we will have it included in the record at this point.

(The information referred to follows:)

Disaster loans, etc., revolving fund—Statement of funds available and use, by fiscal year from inception of fund on Apr. 6, 1949, to June 30, 1957 and estimates for fiscal years 1958 and 1959 [1]

	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958 through Dec. 31, 1957
Funds available:										
By appropriation:										
For establishment of revolving fund for production disaster loans and transfer of net assets (cash) of the regional Agricultural Credit Corporation to the fund (Public Law 38, approved Apr. 6, 1949) [2]	$45,494,334									
For flood rehabilitation in the Midwest area (Public Law 202, approved Oct. 24, 1951)				$30,000,000						
For assistance to farmers and stockmen through economic disaster loans, special livestock loans, and emergency assistance in furnishing feed and seed (Public Law 175, approved July 31, 1953)						$130,000,000				
Balance available from prior fiscal year		$44,257,538	$13,821,409	15,436,291	$32,617,589	17,184,381	$57,859,016	$40,107,520	$35,555,795	$25,931,261
Receipts:										
Loan principal repayments:										
Production emergency loans		1,298,772	21,016,406	19,215,624	28,570,432	36,753,790	31,135,342	27,955,997	31,525,634	22,237,842
Economic emergency loans						453,607	21,373,577	35,687,287	19,708,840	4,694,480
Special livestock loans						2,991,415	19,870,276	17,367,293	13,630,699	8,732,647
Special emergency loans							13,852	1,525,143	12,058,525	6,194,810
Fur loans		243,019	1,282,416	986,456	1,044,172	824,189	431,852	270,464	47,492	24,033
Orchard loans			5,420	92,245	74,580	91,995				
Regional Agricultural Credit Corporation loans		18,624	86,233	41,694	7,316	6,393	5,992	7,984	4,577	1,360
Interest and other collections		74,812	640,200	673,210	898,125	1,248,118	2,697,583	3,727,763	3,034,478	1,659,072
Total receipts		1,630,227	23,030,675	21,009,229	30,594,625	42,369,507	75,528,474	86,541,931	80,010,245	43,544,244
Total available	45,494,334	45,887,765	36,852,084	66,445,520	63,212,214	189,553,888	133,387,490	126,649,451	115,566,040	69,475,505
Obligations:										
Loans made:										
Production emergency loans	974,948	29,833,887	19,198,873	31,491,775	43,225,067	31,812,991	28,402,293	37,030,315	39,159,293	9,422,900
Economic emergency loan						26,521,133	39,584,651	23,059,006	6,400,161	1,232,210
Special livestock loans						35,429,749	19,413,325	13,440,685	10,861,663	3,264,751
Special emergency loans							1,550,821	13,381,813	9,693,937	1,041,490
Fur loans	239,442	1,746,890	1,093,702	902,490	780,240	299,600	175,460	81,475	84,550	
Orchard loans			88,905	73,645	89,290	15,290				
Hay and roughage program						[3] 7,700,024	[3] 6,817		17,750,859	−80,695
Transportation and other costs in connection with emergency feed furnished to farmers and stockmen						[3] 27,900,000				
Administrative expenses:										
Loan programs	22,406	485,579	1,034,313	1,360,021	1,933,236	2,016,085	2,398,595	3,291,189	3,316,944	1,665,693
Emergency feed program							1,748,008	809,173	2,367,372	233,755
Total obligations	1,236,796	32,066,356	21,415,793	33,827,931	46,027,833	131,694,872	93,279,970	91,093,656	89,634,779	16,780,104
Unobligated balance	44,257,538	13,821,409	15,436,291	32,617,589	17,184,381	57,859,016	40,107,520	35,555,795	25,931,261	52,695,401

[1] Exclusive of accrued interest on loans and miscellaneous accounts receivable.

[2] In addition, net assets (other than cash) of $363,811 were acquired from the Regional Agricultural Credit Corporation.

[3] These figures have been adjusted to take into account obligations canceled as well as refunds from States in each fiscal year.

Mr. WHITTEN. Now it intrigues me that the Budget Bureau has to allocate disaster loan funds to you on a quarterly basis. Is that required by law?

Mr. BARNARD. Yes, sir, that is required by law in all of our loans.

Mr. WHITTEN. I was aware of the fact that it was that way with regard to appropriations. But loan authorizations which might all fall due within a 60-day period, to have them set up on a quarterly basis is somewhat unusual.

Mr. BARNARD. I agree with you, particularly in connection with the loan authorizations.

As you know, nobody considers that we are incurring a deficiency if we run out of loan money before the end of the year, and we always do, but it is still subject to the Anti-Deficiency Act, the purpose of which is to see that the funds cover the whole year.

Mr. WHITTEN. The disaster loan funds enables a farmer to make a crop and you can only lend a fourth the first 3 months and a fourth the second 3 months. It strikes me that in much of the country, there is no need for the rest of it. So, in actuality, you have got only about half a fund.

Mr. BARNARD. We haven't had any trouble in getting the Budget Bureau to approve the changes as we need them, but we do have to get them approved.

Mr. WHITTEN. Well, I hope if you do have any difficulty in the future, you will advise this committee. I don't know whether we would be in shape to get the Anti-Deficiency Act amended or not, but certainly some effort should be made to do so, unless the Bureau of the Budget does it almost as a matter of course.

Mr. BARNARD. We sent it over yesterday, and they approved it today.

Mr. WHITTEN. Now, what is the plan for increasing the amount of money in your disaster loan funds? Is that within the authority of the Bureau of the Budget, or would that require legislation?

Mr. BARNARD. That would require an additional appropriation to the fund, but we don't feel that we need it. We would, I think, if we went into this refinancing proposal, but we don't now.

Mr. Chairman, in connection with considering the liquidity of the fund, the collections come in in the first 6 months of the fiscal year, and the larger loan disbursements go out in the last 6 months.

Mr. WHITTEN. The money that you collect, is that frozen by the Anti-Deficiency Act, or does that remain liquid?

Mr. BARNARD. The Anti-Deficiency Act merely requires that we apportion the estimated obligations for the quarterly period. The Budget Bureau, of course, would have authority to approve or disapprove the amount of an apportionment.

Mr. WHITTEN. There is no request here for additional funds for the emergency fund. There would be no basis then, unless funds were appropriated, to provide for a contingency fund where you could draw in case the situation should require it. It would take a special provision in the act, would it not?

Mr. BARNARD. Yes, sir; it would.

Mr. WHITTEN. All right. Mr. Marshall?

Mr. MARSHALL. In making the disaster loan, you designate counties. How many counties in Minnesota have been designated to date?

Mr. BARNARD. I don't have that with me.

Mr. SCOTT. I believe I may have that. I am not sure.

EMPLOYMENT SINCE 1952

Mr. WHITTEN. Could I interrupt one moment? I would like to have a listing of personnel of the Farmers' Home Administration in the record for the last 5 years, showing the number of people that you have and the number you request in this budget.

Mr. SCOTT. All right.

(The information referred to follows:)

Total average annual positions—All funds

	1952 actual	1957 actual	1958 estimate	1959 estimate
Salaries and expenses	$6,011	$5,132	$5,187	$5,130
All other funds	620	1,037	842	836
Total, average annual positions	6,631	6,169	6,029	5,966

Mr. SCOTT. Mr. Marshall, I understand there are now 36 counties designated.

Mr. HANSEN. I believe they are all in the northwest and west side.

Mr. MARSHALL. We had out in Minnesota, as you know, quite a disastrous flood condition which affected a large portion of the State.

It so happens that there were two counties, Stearns County and Meeker County, that were more or less in the area. Counties on each side of them had been approved as disaster loan counties.

Within the last month, those counties, along with several other counties were determined to be eligible for disaster loan funds.

Now, what condition changed out there from September to the latter part of January that would have caused those counties to be considered——

Mr. HANSEN. Mr. Congressman, during the surveys of those counties to determine the need for disaster credit—and we are speaking of credit of course—it would appear that the local credit sources gave indication that they would be able to take care of the credit needs. Apparently it later developed that they were not able to take care of the credit needs, and therefore these counties were recommended for reconsideration.

Perhaps one of my associates might have some more views on what might have transpired.

EMERGENCY LOANS

Mr. SMITH. Mr. Marshall, the Secretary of Agriculture has to make two decisions in making designations for emergency loans under Public Law 38.

First, he has to make a finding that farmers did suffer a production loss by reason of some natural disaster, some natural adverse weather conditions or other losses beyond the farmers' control.

Secondly, he has to make a finding that because of the loss, farmers are not able to continue in the farming business and get their credit from normal sources of credit.

So those two things, those two findings are required under the statute. It may be that on this second point, creditors testified one way earlier and later changed their position which we do find happens in many instances.

Mr. HANSEN. Also the fact that we are just really getting into the lending season out there. Perhaps that may have been an influence. Perhaps the bankers themselves and other lenders, the farmers themselves, perhaps, fully analyzed the lending needs.

Mr. MARSHALL. The communities were quite upset last fall about not being considered since counties on both sides of them had been considered where the condition as far as crop damage was very comparable.

Mr. SMITH. I missed one of the counties, Stearns and——

Mr. ANDERSEN. Meeker.

Mr. MARSHALL. In the last month, I might say, it came as quite a surprise to them because they felt they were not being considered at all. It would seem to me that surveys may not have been carried on as carefully as they might have been in the first instance and certainly leads to a matter of confusion.

Now, if we have 30 counties in the State approved for disaster loans, the figures that you have here, if I interpret them correctly, would mean an average of less than 5 homes per county; is that correct?

Mr. BARNARD. You mean this year?

Mr. MARSHALL. This year, 1957. If you have 30 counties where you have disaster loan funds, you have less than 5 per county; is that right?

Mr. BARNARD. Actually, I think, this year it is less than that. I am talking about fiscal year 1958.

We have only made 13 loans, I believe, this year for $13,220 plus 2 special emergency loans for $4,500.

Last year, fiscal year 1957, we made a little over $400,000 of emergency loans.

That was broken down to 148 production emergency loans for $144,000 and 208 special emergency loans for $263,000.

But this year, so far, we have only made through February 7, 15 loans. Through January 31, we had gotten only 54 applications for emergency loans.

Mr. MARSHALL. Now that is interesting because it ties in with some of the complaints that I have been getting that these counties are being made eligible for this type of assistance, that they need it very badly, and that they are not able to get the loans.

Now, why is that?

Mr. BARNARD. I don't know. They haven't applied very rapidly. As I say, there have been only 54 applications received through January 31.

Mr. ANDERSEN. Might I ask, Mr. Marshall, would he at the same time include the applications from the balance of the State. Would you do that, Mr. Barnard?

What is the picture out in the western part of the State in the balance of the disaster area?

Mr. MARSHALL. He was giving it for the entire State.

Mr. BARNARD. This is for the entire State.

Mr. ANDERSEN. How many applications?

Mr. MARSHALL. Fifty-four for the entire State of applications and only 13 loans made.

Mr. ANDERSEN. In the entire State, Mr. Barnard?

Mr. BARNARD. Fifty-four applications for emergency loans in the entire State in the 7-month period ending January 31, 1958.

PRODUCTION AND SUBSISTANCE LOANS

Mr. MARSHALL. I have been interested in this production and subsistence program. You had a hundred and eighty million last year in that category.

Mr. HANSEN. Yes.

Mr. MARSHALL. How much of that do you still have that hasn't been obligated?

Mr. BARNARD. As of February 14, as of last Friday, we had obligated $104,196,000, which leaves a balance of around $75 million.

Mr. MARSHALL. And in that category you will be getting presently into the heavier loaning period because you will be using it for crop production purposes?

Mr. BARNARD. Yes, sir.

Mr. MARSHALL. How much of that $75 million do you feel will be obligated by the end of the fiscal year?

Mr. BARNARD. I should explain that in addition to the 104 million, we had around 24 million set aside for additional loans to people already indebted. So from the standpoint of funds for new borrowers, the balance available would be around $127 million. So that would be $52 million.

I personally think we will loan it all this year even though obligations are slower.

Mr. HANSEN. There is one thing, too, with so many counties being declared eligible for emergency loan assistance, many of the loans in those counties will be made from the revolving fund rather than through our regular operating loan fund. That is always a factor that enters into the picture.

Mr. MARSHALL. How much are you asking for this next fiscal year?

Mr. BARNARD. Out of the total of $175 million, we are estimating that $155 million would be utilized for operating loan purposes.

Mr. MARSHALL. $155 million.

What would lead you to believe that you would require $25 million less this next fiscal year than you are using this fiscal year?

Mr. HANSEN. Well, one of the reasons we are asking for this flexibility is to cushion against the fact that more than $155 million may be needed. If there are ample insured funds, some of the funds now estimated for farm ownership and soil and water conservation loans might be used for operating loans.

Mr. BARNARD. Actually, Mr. Marshall, there has been a new development here. I don't know how significant it is, but the applications this year through the first 6 months of fiscal 1958 are the lowest they have been in the last several years. I have records here from 1952.

Mr. MARSHALL. Would you put it in by years?

Mr. BARNARD. Yes, sir; I will put this whole thing in the record, if I may.

(The information requested is as follows:)

Record of loan applications received

Fiscal year	Operating		Farm ownership		Farm housing		Soil and water conservation	
	During 1st 6 months (1)	During entire year (2)	During 1st 6 months (3)	During entire year (4)	During 1st 6 months (5)	During entire year (6)	During 1st 6 months (7)	During entire year (8)
1952	39,313	78,851	20,067	32,394	8,338	15,584	1,533	3,000
1953	38,264	68,311	15,797	25,370	6,317	11,065	2,144	3,847
1954	41,860	82,646	14,755	25,889	4,981	6,889	1,791	3,229
1955	38,694	67,708	21,035	35,440			5,903	11,125
1956	28,602	63,955	15,953	28,884		2,085	2,654	5,406
1957	35,401	67,768	22,493	34,839	5,405	9,923	2,719	4,478
1958	25,104		11,341		4,523		947	

Mr. MARSHALL. Certainly as far as the costs of operations on farms, the costs of operations are on the upturn; aren't they?

Mr. BARNARD. The size of our loans have continued to increase.

Mr. MARSHALL. Is our estimate here of $155 million based upon the idea that you might not use funds in other categories and would use it in production and——

Mr. HANSEN. We are proposing that flexibility.

Mr. MARSHALL. Your figures over the years in connection with production and subsistence loans are pretty accurate; aren't they?

Mr. SMITH. As to size of loans, you mean, Congressman?

Mr. MARSHALL. The amount of money that you would require.

Mr. SMITH. Yes. Well, of course, I think this should be recognized in connection with the operating loan program. The greatest increase in the annual appropriations for this program took place when the Southwest section of the country was faced with the long 5- and 6-year drought period. You remember the committee here inserted extra money partially because of that need, recognizing that part of the additional money would be used in the Southwest section of the country, and in fact our largest increase in that program took place in the States involved in that problem.

Now, it is generally agreed that with the moisture condition improving and the resulting letdown in the lending activity in those States, we probably can handle the program with less annual appropriations.

Before that large lending program took place in the Southwest States, we were annually lending about $137,500,000 under the operating loan program and handling it fairly well.

Mr. MARSHALL. But the years you were lending your $135 million or so, you were running out of money before the end of the fiscal year, were you not?

Mr. SMITH. We were running out of money in May, that is right. But that is getting pretty near through the year as far as production loans are concerned. I mean farmers, generally speaking, have made their lines of credit by that time of the year.

Mr. MARSHALL. I appreciate that. I appreciate also that in connection with the Southwestern situation that you are talking about that you did require or did use a considerable amount of money over and above what you did for production and subsistence.

Mr. SMITH. Oh, yes; our emergency loan program stepped up immensely in those situations. There is no question about that. Mr. Andersen pointed that out.

Mr. MARSHALL. Since these estimates were supplied to the Bureau of the Budget, since these estimates were made up, we have had some rather disastrous crop conditions in parts of the country due to this freeze we have been hearing so much about. We have been hearing some very tragic news concerning some of the Southern States, Florida, for example.

Mr. SMITH. Yes.

Mr. MARSHALL. Do you anticipate that that is going to require more loan funds to get subsidies?

Mr. HANSEN. Usually the greatest impact will be on our emergency programs. The same borrowers that would be borrowing through the operating loan program, production and subsistence, as we used to know it would also be eligible for the emergency loans. The interest rate differential alone, would encourage them to go with the emergency type of program rather than our regular one.

Mr. SMITH. And the emergency program is more usable in the emergency areas because you can serve all types of farmers with it.

Mr. HANSEN. That is right.

Mr. SMITH. Congressman, I think that one point here ought to be recognized in connection with the operating loan request. As of today we are actually approximately $18 million behind what our obligations were on that same program this time last year.

Now, we haven't changed the policies any. Our staffs are operating under the same policies. Yet there has not been quite the demand this year for the operating loans over the country.

There are several States where the demand is much less. In others it is just slightly less. Others are running about the same.

We have actually stepped up the program, though, in some of these emergency areas. Some of the Delta States have been allocated more money this year than they have had heretofore for that program.

Mr. MARSHALL. Now, Mr. Smith, I am not trying to indicate that this committee or the Congress should give you money for any of these programs which you don't need. However, I still am intrigued by the fact that you are asking for $155 million this year. That you had $180 million last year, which would mean $25 million less this year. In spite of the fact that you will have used all of that money, expect to use it all in this coming fiscal year. The indications are that the cost of operations on the farms will be higher this next year than they were this past year and with some of the things that we have been hearing about the need of credit, I am wondering just where are the facts, sir.

Mr. SMITH. Well, you are finding some disagreement on this side of the table.

Mr. Barnard told you he thought we would use all of the $180 million. I have some doubt about that myself. I think we will have some loan funds left over this fiscal year.

Mr. MARSHALL. Now, as far as you are concerned with a program of this kind, it doesn't require any more personnel on your part to make the loans for $155 million or $140 million or $180 million. It all requires about the same amount of personnel.

Mr. SMITH. Well, there is a point where that would not be so, but we do have considerable flexibility in the staff, that is right.

Mr. HANSEN. As you know, most of our offices serve more than one county as it is, and we can not get too thin if we are to serve the inquiries of people that come to us.

Mr. MARSHALL. You are asking for the same amount for salaries that you did a year ago and the Bureau of the Budget apparently felt that you were justified in that because they didn't make any reduction on it.

Mr. HANSEN. That is right; but there again, as I just mentioned, is the fact that many offices serve more than 1 county; many serve 4 and 5 counties. If you are going to be represented at all, you can only get about so thin and still be represented. And incidentally, too, as I mentioned in my statement, we have been amazed—at least I have recently—at the amount of counseling our people have been doing and are doing with farmers.

As we work out a farm plan—and you are very familiar with it, Congressman—our supervisor can go with the applicant to a local banker or production credit association who often will advance the necessary funds when they see the completed plan. We find that private lenders are taking over some of our applicants and borrowers. We believe we are serving the farmer if we can assist him in getting credit whether it is supplied by us or through private sources.

Mr. MARSHALL. Mr. Hansen, the $155 million we are talking about is authorization. It doesn't become a debt against the Government nor is it an expenditure until the loan is made, is it?

Mr. HANSEN. That is right.

Mr. MARSHALL. So from a standpoint of economical operation, you would be in a better position by having, we will say, 25 million that you could draw on that you don't use than to be in the position of needing 25 million that you can't give to the production and subsistence loans, wouldn't you?

Mr. SCOTT. Congressman, that is why we proposed this pooling of appropriations. We thought we could use the authority in a modest way to balance out these programs to actual needs. We would correct some errors in the estimates.

Mr. MARSHALL. Well, I can see what you had in mind. It seems to me, though, that you would be in far better shape to ask specifically for what you want for programs. You wouldn't be placed in the position to rob Peter to pay Paul.

Mr. SCOTT. I would say we did make honest estimates with our people. We presented it to our own budget committee in the Department in a good, honest way. We haven't provided any real slack intentionally in there—a big margin, or anything.

RURAL DEVELOPMENT PROGRAM

Mr. MARSHALL. I am interested in an estimate that you made concerning rural development programs. I believe there are something like 72 counties in which they have rural development programs in the United States.

I would like you to place in the record the number of loans which you have made—farm ownership, production, and subsistence and housing—for the 72 counties.

Mr. BARNARD. As far back as we could go, I assume. I mean, since they were designated.

Mr. MARSHALL. Since they were designated as rural development counties.

Mr. BARNARD. We might have to lap over a year.

Mr. MARSHALL. Yes.

(The information requested is as follows:)

The following table shows the number and amount of loans made by the Farmers' Home Administration in each of the rural development program pilot counties. The loans reported for each county are all loans made in the county during the entire fiscal year in which the particular county was designated, plus all loans made in subsequent years through December 31, 1957. The loans reported are not necessarily related to any specific activity under the rural development program. It is not practicable to determine the amount of loans, if any, which have been made because of the credit requirements related to rural development program objective

Total number and amount of initial and subsequent direct and insured loans made in rural development pilot counties since designation through Dec. 31, 1957, including loans made during the entire fiscal year in which the individual county was first designated

State and counties	Fiscal year designated as pilot county	Initial and subsequent loans											
		Operating		Direct and insured				Farm housing		Emergency		Special livestock	
				Farm ownership		Soil and water conservation							
		Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Alabama:													
Chilton	1957	194	$188,946	16	$94,864	0	0	5	$20,880	0	0	0	0
Fayette	1957	44	46,665	2	12,634	0	0	0	0	1	$11,275	0	0
Arkansas:													
Madison	1958	2	2,400	4	26,680	1	$740	2	5,870	0	0	0	0
Ouachita	1956	22	24,740	3	19,420	1	3,600	2	9,450	29	22,330	2	$1,700
Phillips	1956	214	350,213	5	27,944	0	0	8	55,400	336	415,761	0	0
Van Buren	1956	67	68,725	4	26,557	1	300	3	9,310	22	4,525	0	0
Woodruff	1958	44	20,065	0	0	0	0	1	5,500	3	1,420	0	0
Florida:													
Suwannee	1958	17	17,075	2	13,900	0	0	3	22,050	0	0	0	0
Washington	1958	11	33,150	3	18,978	0	0	9	60,870	0	0	0	0
Georgia:													
Habersham	1957	19	24,550	3	16,150	0	0	2	12,500	0	0	0	0
Meriwether	1957	11	19,975	0	0	0	0	1	10,000	1	1,230	0	0
Twiggs	1956	30	35,350	0	0	3	2,800	4	12,180	8	4,995	0	0
Wayne	1957	10	21,445	1	10,500	0	0	5	30,760	0	0	0	0
Illinois:													
Alexander	1957	23	35,280	1	13,500	0	0	0	0	0	0	0	0
Pulaski	1957	20	29,560	5	72,535	0	0	2	16,000	0	0	0	0
Indiana: Perry	1957	0	0	3	38,600	0	0	1	5,000	0	0	0	0
Kentucky:													
Butler	1957	36	39,325	1	15,720	1	3,000	2	15,800	0	0	0	0
Elliott	1957	11	9,115	0	0	2	5,500	4	23,831	0	0	0	0
Metcalfe	1957	25	37,740	2	29,890	0	0	0	0	0	0	0	0
Louisana:													
Avoyelles	1957	147	195,845	8	66,513	0	0	4	25,010	0	0	0	0
Franklin	1957	97	193,350	12	72,505	1	13,000	20	130,670	0	0	0	0
Washington	1957	90	249,210	23	188,195	0	0	4	28,570	0	0	0	0
Maine: Washington	1957	91	254,150	3	36,450	0	0	2	7,000	0	0	0	0
Maryland: Garrett	1956	12	25,420	3	29,689	0	0	3	30,070	0	0	0	0

Michigan:												
Alger	1958	3	9,250	0	0	0	0	0	0	0	0	0
Delta	1957	12	22,695	0	0	0	0	0	0	0	0	0
Mackinac	1957	0	0	0	0	0	0	0	0	0	0	0
Minnesota:												
Carlton	1957	11	38,250	5	32,751	0	0	1	3,000	0	0	0
Hubbard	1957	12	13,675	1	6,742	0	0	3	13,600	0	0	0
Itasca	1957	21	45,360	5	41,886	0	0	2	8,700	0	0	0
Mississippi:												
Amite	1958	6	19,070	0	0	0	0	0	0	0	0	0
Covington	1956	112	126,600	15	107,559	1	2,750	1	6,200	13	6,020	0
Holmes	1956	445	652,990	18	130,767	3	29,890	10	67,990	174	112,880	0
Tippah	1956	153	132,585	22	136,617	1	500	10	57,520	10	3,700	0
Missouri:												
Dent	1956	22	29,029	1	5,600	1	2,000	0	0	0	0	4
Douglas	1957	29	44,975	3	24,961	0	0	2	9,000	7	3,020	1
Taney	1957	9	16,505	1	5,750	0	0	2	6,500	1	100	1
New Mexico:												
Sandoval	1956	31	59,010	1	18,000	2	15,500	0	0	0	0	0
Santa Fe	1956	21	38,305	0	0	1	6,885	2	14,600	1	3,500	3
North Carolina:												
Anson	1956	34	35,470	5	53,035	0	0	3	23,320	36	18,745	0
Bertie	1956	156	376,335	0	0	0	0	0	0	69	112,370	0
Watauga	1956	81	44,045	2	16,934	0	0	1	1,700	42	9,400	0
Ohio:												
Guernsey	1957	26	55,730	4	35,700	0	0	4	11,225	0	0	0
Monroe	1956	23	42,755	2	23,810	0	0	0	0	1	3,080	0
Oklahoma:												
Cherokee	1957	56	120,600	11	135,510	1	$7,000	1	2,500	5	4,100	0
Choctaw	1956	202	358,572	24	211,403	0	0	1	1,745	25	24,990	0
Latimer	1958	7	18,020	0	0	0	0	0	0	0	0	0
Pennsylvania: Fayette	1956	62	92,551	2	34,286	0	0	1	7,350	9	4,975	0
South Carolina:												
Bamberg	1957	53	75,810	1	7,076	0	0	2	11,635	17	15,545	0
Berkeley	1957	25	25,200	0	0	0	0	0	0	99	31,310	0
Chesterfield	1957	150	114,750	4	31,811	2	2,200	5	21,400	24	25,140	0
Tennessee:												
Grainger	1956	58	61,975	7	53,300	1	2,000	2	10,000	4	1,200	0
Hardin	1956	7	8,690	6	69,041	0	0	0	0	2	1,145	0
Houston	1957	2	7,780	2	28,830	0	0	2	9,650	0	0	0
Macon	1956	65	68,505	10	71,150	0	0	2	6,200	0	0	0
Marion	1957	52	50,550	4	55,664	1	1,051	8	48,680	0	0	3
Texas:												
Camp	1957	27	75,530	2	43,473	6	11,150	1	4,150	14	14,795	0
Franklin	1957	14	37,080	2	34,340	0	0	1	4,500	8	3,800	0
Titus	1957	26	38,105	2	8,330	1	5,270	1	2,900	22	21,070	0
Cherokee	1956	143	373,450	6	66,790	0	0	4	36,400	143	106,905	0
Shelby	1957	62	135,895	5	42,450	2	1,600	12	71,830	66	43,245	0
San Augustine	1957	34	72,995	0	0	0	0	1	5,000	49	31,840	0
Virginia:												
Carroll	1956	33	69,945	9	105,665	0	0	0	0	2	2,100	0
Cumberland	1956	36	54,125	6	98,125	0	0	0	0	0	0	0
Washington: Stevens	1958	30	115,240	0	0	2	5,030	0	0	0	0	0

Total number and amount of initial and subsequent direct and insured loans made in rural development pilot counties since designation through Dec. 31, 1957, including loans made during the entire fiscal year in which the individual county was first designated—Continued

State and counties	Fiscal year designated as pilot county	Initial and subsequent loans											
		Operating		Direct and insured				Farm housing		Emergency		Special livestock	
				Farm ownership		Soil and water conservation							
		Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
West Virginia:													
Lewis	1956	48	$69,670	1	$12,036	1	$1,550	1	$7,500	0	0	0	0
Raleigh	1957	14	34,995	0	0	0	0	1	10,500	0	0	0	0
Fayette	1957	16	24,330	1	6,570	0	0	3	19,500	0	0	0	0
Upshur	1957	33	60,130	4	39,600	0	0	1	2,500	0	0	0	0
Braxton	1957	14	27,580	1	9,016	0	0	0	0	0	0	0	0
Gilmer	1957	6	14,550	0	0	0	0	1	5,000	0	0	0	0
Summers	1957	3	8,555	0	0	0	0	0	0	0	0	0	0
Wisconsin:													
Price	1956	67	90,530	3	24,519	10	5,685	2	3,450	0	0	0	0
Sawyer	1957	14	29,300	1	13,184	0	0	0	0	0	0	0	0

Mr. SCOTT. Congressman, you realize that much of the efforts and I think the accomplishments in these counties are outside the credit field. It is the careful planning based on necessary facts that bring new opportunities sometimes in the agricultural field, to expand production, often in new payrolls and other such developments.

Credit, as I mentioned in my statement, hasn't been a very important factor up to now. Credit will be helpful on some of the plans that they are working on as they become established and the necessary preliminaries are taken care of. We can give you the information you have asked for.

Mr. WHITTEN. Mr. Natcher.

Mr. NATCHER. Mr. Scott, in your statement you point out the fact that the loan service of the Farmers' Home Administration is available in all of the pilot counties which have been established.

Now there are no additional services offered in pilot counties than in any other county in the United States, are there?

Mr. HANSEN. May I answer that?

Mr. NATCHER. Yes; go right ahead.

Mr. HANSEN. We have this policy, Mr. Congressman: In the pilot counties, as the people review their needs for credit there, we will gladly look at any proposals that they may make to liberalize our administrative regulations if that will contribute to solving the problem locally.

If anyone comes up with a loan proposal involving a reasonable potential for repayment, we certainly will consider modifying our policies to fit the specific cases in the particular counties.

Mr. SCOTT. I think the answer to your question, Mr. Congressman, is that these services are available outside these pilot counties as well as within them. It is the same authority. There is some special attention given in helping the community develop these overall rural development plans.

I think that is about the only special effort that goes into it, aside from what Mr. Hansen has just mentioned.

Mr. NATCHER. As you gentlemen know, in Kentucky the three pilot counties are Butler, Metcalfe, and Elliott. These counties are all low income counties.

As I have pointed out before, you people are to be commended upon the selection of these three particular counties. If you had asked me to select the 3 out of the 120 in Kentucky, I probably would have selected the 3 that you selected. They are low income counties where such a program can be developed and it will in my opinion show results.

Now one thing, Mr. Scott, that I want to point out to you in particular about Butler County. Your records will show that Butler County was declared one of the disaster area counties this past November due to the flood situation. About 54 percent of all the corn in this county was damaged or destroyed completely.

Green River, together with its five navigable reaches, were all on a rampage and this continued for weeks. Now after Butler County, Mr. Scott, and Mr. Hansen, was declared a disaster area, 3-percent loans to course were offered to the residents of this particular county.

Now that was under your provision of Public Law 38, I believe.

Mr. SCOTT. Yes, sir.

PURCHASE OF SURPLUS CORN

Mr. NATCHER. Now, here is the thing that I have in mind, gentlemen: We tried to buy surplus corn. I believe the President under the present law has to declare this particular county or section a disaster area and enter an Executive order to the effect before they are permitted to buy surplus commodities. Am I correct in that—under Public Law 875?

Mr. SCOTT. Before any Government-feed program can be started, the President does have to make this declaration; yes, sir.

Mr. NATCHER. Now, Mr. Scott, here is what I have in mind: With 54 percent of the corn in this one county damaged or completely destroyed, and almost the same condition in Edmonson County, adjacent to Butler County, without the President's Executive order under Public Law 875, then these people, as I understand it, are entitled to purchase surplus corn by paying 105 percent of parity plus the carrying charges. If the President declares a disaster area under this particular provision of the law, then they are entitled to purchase the corn at a much lower cost; is that correct?

Mr. SCOTT. Well, it works about this way, Congressman. The President must in all instances declare the county under Public Law 875 a major disaster area before we can use any of the surplus grains.

Now, whether or not we make a Federal-grain program available depends upon the particular conditions in the area. In other words, there have been a good many of these areas declared by the President where there has been no feed program.

The Civil Defense Administrative and other agencies have authority to take care of particular problems in designated areas. But the only instances where we have emergency feed programs is where there is a demonstrated need to bring feed in from the outside to maintain foundation livestock herds.

Mr. NATCHER. Mr. Scott, right there, 54 percent of all the corn in this county was destroyed or damaged. A low-income county and a rural-development county.

Why aren't those people entitled to purchase surplus corn when surplus corn, of course, is being shipped abroad in similar situations? Why shouldn't they be entitled to it. No order was entered. We made the request for Butler County. Shouldn't there be some provision with all the corn that we have in surplus Mr. Scott, whereby in a case like this, that these people should be permitted to buy this corn?

Mr. SCOTT. Your reference to the soft-corn situation brings to my mind a problem that we hear about from the standpoint of other farmers having corn for sale.

In recent months there have been some requests to make the stocks of CCC available in areas that weren't too distant from sections where there was a lot of this soft corn. The farmers in the soft-corn area were just desperate to find a market for it. They have been on the alert to see that the Government didn't do something to weaken their market. That, of course, gets back to the basic provisions that Congress put into the law requiring CCC sales to be made at 105 percent plus carrying charges.

It is just to avoid, as I understand it, Government competition with the farmer himself when he is seeking the market. We try to take into account a good many things when we put these feed pro-

grams into effect. One of the most difficult things we have to explain and often I am sure we don't succeed in explaining it is why we send all these things over to some distant place and we don't give grain to our people right at home.

Usually it is to avoid interference with the market. That is one of the factors, at least.

Mr. NATCHER. Mr. Scott, pardon me right there. In a disaster section, what difference would that mean?

Mr. SCOTT. That is the other side of the argument. I only meant to show that these issues don't often come out clean cut. They are complex problems. I am sorry I don't recall the facts about Butler County. I will be glad to look into it and talk to you later about it, if you care to.

Mr. NATCHER. I would appreciate it. Mr. Scott, Butler County is located in the Green River watershed. The Green River watershed has approximately some 9,275 square miles and the principal stream of course is Green River. Green River has five navigable reaches. This year, Mr. Scott, in our civil functions requests that have been submitted to Congress, no money is included for new surveys, advance engineering and design, or new construction starts anywhere in the United States. That is the condition for the fiscal year 1959.

I serve on another subcommittee where an overall request will be made for some $4 billion and a number of new construction starts will be requested to take place in 22 countries abroad in this program—the foreign aid program.

Now we have in this particular section of Kentucky the Nolin River Reservoir; $100,000 was appropriated in 1957; and $138,000 in 1958. The advance engineering and design will be completed in 1958. It has a benefit cost ratio of about 2.6 to 1, one of the best in the United States. It will eliminate completely this trouble in this section, but no construction starts are called for in fiscal 1959.

Mr. Scott, when you get down to the matter of rural development and emergency loans and disaster sections, those things are right hard to rationalize.

You see, they are going to make the request that we appropriate approximately $4 billion and we start a number abroad that will be added to 137 that have been completed, but not a single one can be started in the United States during fiscal year 1959. No new survey money and no advance engineering and design. Mr. Scott, I say to you quite frankly it is hard to explain to the people.

Mr. SCOTT. We have found some questions hard to answer in some of our disaster work, Congressman. We thoroughly agree with you.

That is all, Mr. Chairman.

Mr. WHITTEN. Mr. Andersen.

CONSOLIDATION OF LOAN FUNDS

Mr. ANDERSEN. Thank you, Mr. Chairman.

Mr. Hansen, I note on page 3 of your statement you bring out that the budget proposes language changes which would make the amount of $175 million available interchangeably for any of the 3 types of loans as the need and demand should develop.

You feel that this consolidation will permit you to take better advantage of the availability of funds for insured farm ownership and soil and water conservation loans.

Now, Mr. Hansen, I want to agree with my chairman and with Mr. Marshall relative to that. The mere fact that this subcommittee makes available more loan funds than has been requested by the budget does not indicate that those loan funds necessarily will be committed. As I have noted through the years in this subcommittee, it is our feeling that we should always have more of these loan funds available.

It is easier to get them in the regular appropriation bill and knowing you gentlemen as I do I know you are not going to commit them unless you feel they are necessary, so to me it is simply a little matter of insurance to have perhaps $25 million in loan authorization funds available, that perhaps you may never use.

So far as I am concerned, I am not in agreement with the budget proposal here because that is further substantiated by the fact that last year we did put in $40 million in addition to what the budget requested and you admit in your statement at the bottom of page 4, Mr. Hansen, that you had pretty fair use for the bulk of that particular money. So I claim that perhaps our subcommittee showed good judgment in what they did last year.

I hope you will bear with us if we do somewhat the same this year.

Mr. HANSEN. You have been very good to us.

DISASTER LOAN PROGRAM

Mr. ANDERSEN. Thank you, sir.

Now getting back to the Seventh Congressional District of Minnesota, gentlemen, I want to say this. In my dealings with your local people, in the various counties, I think I have found them to be universally very good men. I know several of them quite well. I think they are doing the very best job that they can.

But I also realize—and this is especially in reference to new programs, such as the disaster loan program, new in that particular area—that these men have to necessarily work under regulations sent to them from up above, as to what they should do and what they shall not do.

And I wish you would place in the record, Mr. Hansen, at this point, a résumé—you might quote the exact regulations, if you will—as to what regulations were given to my supervisors back in the Seventh Congressional District relative to the manner in which they should perform their official duties as called for under the disaster loan program. Would you have that done, please, at your convenience?

Mr. SCOTT. We would be glad to do that. And I would like to say that we have talked many times with the State FHA directors, about the manner in which lending is to be handled as set forth in the regulations. We have cautioned them to avoid a hard-boiled collection policy—the thing that is most difficult here—is to try to keep the people who do not need this help from being attracted by the 3 percent rate.

Mr. ANDERSEN. I agree 100 percent, but I might say I am rather surprised at your report as to the lack of applications in my 19 counties and in the State of Minnesota for these available disaster loans.

What I would like to have shown in the record, Mr. Scott, are details relative to what was sent down to the supervisors, what was

told them, perhaps orally or written, as to the manner in which they should pass upon the loan applications as they come to them from their former clients.

Mr. SCOTT. We will be glad to do that, sir.

(The information requested is as follows:)

The following is a résumé of the activities of national office personnel in connection with the prosecution of the emergency loan program in Minnesota. The Administrator of the Farmers' Home Administration attended open meetings at Marshall and Oklee, Minn.; contacted bankers in the disaster area and conferred with the Governor and other State officials to secure a firsthand view of the crop damage. At several meetings the Administrator discussed the need for the services of the Farmers' Home Administration and explained the availability of such services. The Deputy Administrator attended meetings of county personnel of the Farmers' Home Administration in the disaster areas. Some private lenders were at these meetings. The purpose of the meetings was to acquaint the Farmers' Home Administration personnel in detail with the emergency loan making policies. County supervisors were informed of the desire of the Farmers' Home Administration to be of maximum assistance to farmers in the emergency areas. Also county supervisors were instructed to be sympathetic to the applications received and to take adequate time to explain to farmers the services available. The Administrator for Program toured the disaster area with the State director. He attended an open meeting at Marshall to discuss the emergency programs of the Farmers' Home Administration and other governmental agencies. He made a personal investigation of the manner in which the authorities of the Farmers' Home Administration were being utilized to meet the needs of the area. The Director of the Emergency Loan Division visited the State in October 1957 to discuss emergency lending policies with State and county office personnel. Among other things, he desired to determine that adequate measures were being taken to service the emergency credit needs as they might exist in the designated area. More recently, another member of the national office staff has visited several county offices in the State and has investigated the manner in which the Farmers' Home Administration is serving the needs of Minnesota farmers.

There were no specific separate written instructions issued to the State office in Minnesota or to the county supervisors from the national office with respect to the emergency loan programs. The regular regulations of the Farmers' Home Administration were applicable. Portions of FHA instruction 445.1 concerning eligibility, loan purposes, loan limitations, interest rate and terms, and security requirements are quoted below; also quoted below is Administration Letter 553 (445) dated January 20, 1958, providing for loans for payment of depreciation on equipment as discussed earlier:

"IV. ELIGIBILITY

"*A. Production emergency loans*

"Any farmer or stockman, operating in the designated area, whether owner or tenant, including a partnership or corporation, is eligible for production emergency loan, provided the applicant meets all of the following requirements:

"1. He is an established operator, primarily engaged in farming or ranching and dependent on such operation for a livelihood. An applicant who regularly devotes a substantial part of his time to some occupation other than farming or ranching, irrespective of the income received, is not eligible for emergency loan assistance. However, an otherwise eligible applicant would not be disqualified by temporary off-farm employment obtained to supplement his income because of the emergency, provided he expects to resume his normal farming or ranching operations as soon as possible.

"(*a*) *Exceptions.*—Upon prior approval of the Administrator, exceptions to the above-stated requirements may be made in individual cases when:

"(1) The applicant is indebted for an emergency loan and it appears that a subsequent loan is necessary to protect the Government's interest, or

"(2) The loan is to be made for the repair or replacement of buildings damaged or destroyed by hurricanes, tornadoes, or floods, or for other real-estate improvements necessary because of the disaster, and the failure to make the loan would deprive a full-time farm tenant of the opportunity to continue his normal farming operations. In these cases, it would be necessary

to make the loan to the landowner rather than the tenant, since real-estate security would be required.

"2. He is unable to obtain from commercial banks, cooperative lending agencies, or other responsible sources, the credit necessary for continuing his normal farming or livestock operations.

"3. He has the necessary experience and ability to succeed with the proposed operations and will honestly endeavor to carry out the undertakings and obligations required of him. Applicants whose need for credit stems primarily from the unsoundness or inefficiency of their past operations rather than from the factors which resulted in the designation of the area usually would not qualify for emergency loan assistance. Also those who have no reasonable prospects of being able to continue their operations without further emergency credit assistance after a temporary period of 2 or 3 years, normally would not qualify.

"4. He has suffered production losses as a result of the disaster for which the area is currently designated that were substantially greater than would be expected from normal fluctuations in yields, or has suffered property damage from the disaster which will prevent normal production in the future unless repaired restored. In making this determination, consideration will be given to the applicant's total farming operations, and the applicant will be required to furnish information with respect to all of his major enterprises which will enable the county committee and the loan approving official to compare the production obtained during the year of the disaster with that for a normal year or with the average for a period of years. If it is found that the losses suffered in the enterprise affected by the disaster are compensated for by favorable conditions with respect to the applicant's other enterprises, he will not qualify for a production emergency loan. Generally, it is questionable whether an applicant with total production losses of less than 25 percent in his major enterprises would qualify for a production emergency loan; however, reasonable discretion may be exercised in this regard after consideration of the circumstances of any individual case.

"*B. Economic emergency loans*

"The eligibility requirements for economic emergency loans are the same as stated above for production emergency loans, except that (1) in addition to the requirements of paragraph IV A 2, it must be determined that the applicant's credit needs cannot be met under the regular programs of the FHA because of ineligibility, loan policies and limitations, lack of funds, or for other reasons, and (2) paragraph IV A 4 is not applicable, since applicants for economic emergency loans are not required to establish that they have suffered production losses.

"*C. Special emergency loans*

"The eligibility requirements for special emergency loans are the same as stated above for production emergency loans, except that (1) special emergency loans may be made only to individuals or partnerships, (2) in addition to the requirements of paragraph IV A 2, it must be determined that the applicant's credit needs cannot be met under any of the other programs of the FHA, including those authorized by Public Law 38, 81st Congress, as amended, because of ineligibility, loan policies and limitations, lack of funds, or for other reasons, and (3) paragraph IV A 4 is not applicable, since applicants for special emergency loans are not required to establish that they have suffered production losses. Corporations are not eligible for special emergency loans.

"V. LOAN PURPOSES

"Consistent with the objectives of the program outlines in paragraph II, emergency loans may be made for any of the following purposes that are essential to a continuation of the applicant's normal operations, subject to the limitations stated in this instruction and any additional limitations which may be imposed with respect to the making of such loans in particular designated areas:

"A. The purchase of feed, seed, fertilizer, insecticides, and to meet other essential farm operating expenses, including the payment of social-security taxes in connection with hired labor.

"B. To meet family subsistence needs, including reasonable amounts for premiums on health and life insurance and expenses for medical care.

"C. The payment of customary and equitable charges for grazing land, and for the privilege of using farm buildings, family gardens, and pasture for subsistence livestock, but not for the payment of cash rent for cropland used for the production of cash crops.

"D. The payment of bills that were incurred for annual recurring operating expenses in connection with the production of livestock, livestock products, and

crops that are to be harvested or marketed during the crop year for which the loan is being made. This does not authorize the payment of bills incurred in connection with crops, livestock, or livestock products that have been lost, destroyed, or disposed of prior to loan approval.

"E. The payment of (1) not more than a year's taxes due or about to become due on real and personal property, (2) not more than a year's charges, taxes, or assessments to water associations, or irrigation or drainage districts, (3) premiums for insurance on real and personal property, and (4) not more than a year's interest, calculated at a rate not to exceed that which is reasonable and customary for the area, that is due or about to become due on debts secured by liens on livestock, farm machinery and equipment, and farm real estate, provided the anticipated income will support such obligations for taxes, water charges, insurance or interest, and arrangements cannot be made for payment of these expenses from future income. However, loan funds will not be used to pay interest, taxes, water assessments, or insurance premiums, either current or delinquent, in connection with real estate against which there are prior liens securing farm ownership, farm housing, or soil and water conservation loans.

"F. The purchase of essential items of farm and home equipment, when necessary to replace similar items damaged or destroyed as a direct result of the disaster, or which are worn out and must be replaced.

"G. The replacement or repair (beyond essential normal maintenance) of buildings, fences, and drainage or irrigation systems on individual farms, necessary as a direct result of the disaster, in order to bring the farm back to normal production and use.

"H. The releveling of land and the clearing of debris made necessary as a direct result of the disaster.

"I. The purchase of trees, root stock, and plants for reestablishing commercial orchards or berry and perennial cash crops, when necessary as a direct result of the disaster.

"J. The purchase of livestock when the applicant is an established dairyman or livestock producer, to replace livestock lost as a result of the disaster, or to enable the applicant to continue, but not increase substantially, his normal livestock operations.

"K. The payment of bills incurred for emergency repairs and improvements to farm real estate, necessary as a direct result of the disaster, provided: (1) it is determined that the expenditures were essential to preservation of the property, or continuation of the applicant's normal farming or livestock operations, and had to be made before an emergency loan could be obtained, and (2) the loan for such purposes is approved within 45 days following designation of the area, unless an exception to this requirement is authorized by the Administrator.

"L. Expenses incident to the making of such loans.

"VI. LOAN LIMITATIONS

"*A. Emergency loans will not be made—*

"1. To refinance debts, either secured or unsecured, except as provided under paragraphs V D and K.

"2. To pay cash rent on land used for the production of cash crops.

"3. To pay Federal or State income taxes, nor social-security taxes that are payable by borrowers in their own behalf.

"4. To purchase passenger automobiles.

"5. To enable an applicant to become established in farming or ranching, nor to reorganize his farm or ranch operations.

"6. To enable an applicant to expand his farm or ranch operations substantially in excess of his typical operations over a period of 3 to 5 years just preceding the date of application.

"7. To a landlord to furnish his tenant operators, whether share, cash or standing rent is paid by these tenants. However, loans may be made to operating landlords or tenants to furnish their sharecroppers.

"*B. Additional special emergency loan limitations*

"In addition to all of the above limitations, the following will be observed in the making of special emergency loans:

"1. No loan will be made to a corporation or any other entity except an individual or partnership.

"2. No loan in excess of $15,000 will be made to any one applicant.

"3. No loan will be made which will cause the total outstanding indebtedness of any borrower under such loans to exceed $20,000, including principal and

accrued interest. In view of this limitation, a sufficient margin should be left to permit further advances as may be necessary to meet unforeseen expenses and to protect the Government's interest.

"VII. INTEREST RATE AND TERMS

"Emergency loans will bear interest from the date of the loan check at the rate of 3 percent per annum on the unpaid principal balance. Such loans will be scheduled for repayment in accordance with the following policies:

"*A. Repayment terms*

"It is expected that emergency loans will be repaid at the earliest possible date, consistent with the borrower's anticipated ability to repay. Except as provided in paragraph VII B, principal payments on such loans will be scheduled at least annually, unless it is determined that income sufficient to meet the initial payment will not be received within 12 months from the date of the loan check. In such cases, the initial payment may be scheduled beyond 12 months from the date of the loan check but not to exceed 18 months, to coincide with the date when the primary income from the year's operations will be received. Subsequent installments will be scheduled at least each 12 months from the date of the initial scheduled payment.

"1. *Annual operating expenses.*—Advances made for annual operating expenses, including advances for the production or purchase of feed for livestock, and the purchase of livestock to be fed for market, will be scheduled for repayment when the principal income from the year's operations normally will be received, or when the principal income from the sale of the livestock or livestock products normally can be expected.

"2. *Other than annual operating expenses.*—Advances for purposes other than those enumerated in the preceding paragraph will be scheduled for payment over the minimum period consistent with the borrower's ability to pay, based on a thorough analysis of the total farm or ranch operations. However, the repayment schedule will not extend beyond the useful life of the principal items of security offered for the advance, and in no event exceed (*a*) 5 years, if secured by liens on chattel property, or (*b*) 10 years, if the advances are for real estate purposes and are to be secured primarily by liens on real estate.

"(*a*) *Exception.*—When justified because of the nature of the disaster and the extent of losses sustained by farmers and stockmen in the area, the repayment period on advances for real estate purposes that are to be secured primarily by liens on real estate, may be extended to 20 years, upon prior approval of the Administrator. Special authorization pursuant to this paragraph may be granted on an area basis or in an exceptional individual case, based on the recommendations of the State director and the circumstances involved.

"*B. Deferments*

"The first repayment may be deferred in whole or in part until the end of the second full crop year following the date of the loan when (1) the applicant's principal crops were destroyed or so severely damaged by the disaster that normal production may not reasonably be expected during the first crop year for which the loan is made, such as might result from freeze damage to fruit trees and berry or other perennial crops, or (2) the applicant's anticipated expenses will be abnormally high during that year because of the disaster, and (3) the balance which will be available for debt payment as reflected in the loan docket will not be sufficient to enable him to repay the loan in accordance with the requirements specified in paragraph VII A. However, payments will be scheduled as early as possible, consistent with the applicant's ability to repay.

"VIII. SECURITY REQUIREMENTS

"The full amount of each loan will be secured in a manner that will adequately protect the Government's interest, in accordance with the following:

"A. Advances, except those made for real estate repairs and improvements which will be secured pursuant to paragraph VIII B, will be secured by—

"1. A first lien on the crops growing or to be grown by the applicant, except—

"(*a*) When the loan is made to a tenant, the Government's lien ordinarily will be subject to the landlord's claim for rent for the current year when the rent is based on (1) a reasonable and customary share of crops, or (2) an equitable charge for the use of grazing land and for the privilege of using farm buildings, family gardens, and pasture for subsistence livestock. All other claims of the landlord

against the tenant's crops, including his claim for cash or standing rent on land to be used for the production of cash crops, must be subordinated. In addition, the landlord may be required, on an individual case basis, to subordinate his claim for share or privilege rent or rent for grazing land when the loan approving official determines that a sound loan cannot be made without such a subordination, because of the past production history of the farm, the involved financial circumstances of the applicant, his inability to give adequate security for the loan, or other unusual problems. The amount of the rent to be paid will be shown by a written lease, or otherwise clearly indicated in the loan docket at the time the loan is made. Some landlords may prefer to convert their cash leases to a customary share rental basis rather than subordinate their rent for the current year. Others may prefer to change the terms of their leases to provide for the payment of a customary share of the crops as they are harvested, until the market value of this share equals a stipulated cash amount. Where cash leases are converted in this manner, and the share of the crops to be paid as rent is equitable, a landlord's subordination of the current year's rent is not required, except on an individual case basis, as indicated above.

"(*b*) When the loan is being made to an applicant whose purchase contract or real estate mortgage gives the contract holder or mortgagee a claim on the crops for the payment of the real estate debt, the Government's lien may be subject to such claim for the current year's installment on the real estate debt, provided the claim covers a share of the crops not in excess of the customary share rent charge for similar farms in the area, or is converted to that basis, in a manner similar to that outlined in the preceding paragraph.

"(*c*) When a particular crop of the applicant is under lien to another creditor to secure advances made to produce that crop, the Government's lien may be subject to the existing lien of the other creditor, provided no advance will be made by the FHA in connection with that particular crop.

"2. A first lien on all livestock and farm equipment purchased with the proceeds of the loan, except small tools and readily expendable items of equipment with negligible security value.

"3. The best lien obtainable on livestock owned by the applicant, if the loan is being made primarily to produce or purchase feed for such livestock or any significant amount is included in the loan for that purpose. When a lien is required, Form FHA–916, Agreement—Special Livestock Loan, or a similar form approved by the attorney in charge, will be obtained from prior lienholders whenever (1) the livestock is being fed for market, or (2) any significant portion of the applicant's income will be received from the sale of the livestock or livestock products. The agreement will provide for:

"(*a*) A suitable nondisturbance period; and

"(*b*) A division of the income to be received from the livestock or livestock products, or both, which will permit the applicant to repay on the loan not less than the amount of loan funds advanced for the production or purchase of feed. It is preferable that the division of income agreement provide for the payment of a fixed amount from the first income received from livestock or livestock products, but an agreement providing for a percentage of the income to be paid to the Government as sales are made will be acceptable if it will reasonably assure payment of the amount required above.

"4. The best lien obtainable on as much of the farm machinery and equipment and other livestock of security value owned by the applicant at the time the loan is made as the loan approval official determines necessary to secure reasonably the loan being made, plus any outstanding balances on prior loans.

"5. An assignment of sufficient proceeds from the sale of agricultural products, including wool incentive payments, as necessary to assure repayment of the loan in accordance with the policies stated in this instruction, if payment on the loan is expected out of income from such sources, and an assignment can be obtained.

"6. An assignment of all crop insurance carried by the applicant on crops under first lien to the Government, unless the insurance policy or policies contain a standard mortgage clause naming the FHA as mortgagee. If such insurance is to be obtained at a later date, an agreement will be reached with the applicant to give an assignment when the insurance is obtained.

"7. The best lien obtainable on real estate owned by the applicant, when the applicant has sufficient equity in the property to justify the taking of a lien, and it is determined by the loan approval official that such a lien is needed as additional security to protect the Government's interest, because of the amount of the loan, the financial circumstances of the applicant, or other valid reasons. When a real estate lien is required as additional security, an appraisal of the

property will not be necessary. Borrowers will not be required to carry property insurance when the real estate lien is taken as additional security, except in very unusual cases where this is essential to protect the Government's interest. When insurance is required, the provisions of paragraph VIII B will be observed in this regard.

"B. Advances made for real estate repairs and improvements, including orchard rehabilitation, will be secured, except as provided in paragraph VIII B 7, only by real estate liens on real estate in which the applicant has sufficient equity to provide adequate security for the loan, subject to the following:

"1. The determination of the applicant's equity in the real estate offered as security will be based upon an appraisal of the property, using Form FHA–596, Appraisal Report, and related forms. The applicant's equity will be the appraised normal market value of the property with the planned improvements completed, less the amount of any existing liens. When the amount of the loan does not exceed $5,000, the appraisal may be made by the county committee following an inspection of the property. For loans in excess of $5,000, the appraisal will be made by an FHA appraiser.

"2. If the property is being acquired under a purchase contract, it must be determined that:

"(*a*) The applicant has a mortgageable interest in the property.

"(*b*) The purchase contract is not subject to summary cancellation upon default, and does not contain other provisions which might jeopardize the Government's security position or the borrower's ability to repay the loan.

"3. If any of the prior liens against the property contain undesirable future advance provisions, or other provisions which might jeopardize the security position of the Government or the applicant's ability to meet his obligations under these prior liens and also repay his loan, the prior lienholder(s) involved must agree in writing, before the loan is closed, to modify, waive, or subordinate such objectionable provisions. This usually will be accomplished in the manner indicated under paragraph IX Q, subject to any modifications necessary to meet legal requirements for closing a particular loan.

"4. In States where a prior lienholder may forclose his security instrument under power of sale or otherwise and extiguish junior liens of private parties without making junior lienholders parties or giving them actual notice, and a junior lien on real estate is to be taken as security for the loan, the prior lienholder must agree in writing to give the Government advance notice of foreclosure or assignment of the mortgage. A State instruction will be issued, with the advice of the attorney in charge, to indicate whether such agreements will be necessary in each particular State, and if so, to set forth the procedure and requirements for obtaining and recording such agreements (revised May 29, 1957—PN 530).

"5. If there are insurable buildings located on the property, or if new buildings are to be erected or major improvements made to existing buildings, the applicant will provide adequate property insurance coverage, at the time of loan closing or as of the date materials are delivered to the property, as appropriate, in accordance with the provisions of FHA Instruction 426.1.

"6. If insurance claims for loss or damage of buildings to be replaced or repaired with loan funds are outstanding at the time the loan is made, the applicant will be required to agree in writing for the proceeds of such claims to be paid to the Government for application on the loan when settlement is made, or for such proceeds to be applied on debts secured by prior liens.

"7. When a relatively small amount is being advanced for real estate purposes and it can be secured adequately by a first lien on chattel property and repaid over a period not in excess of 5 years from normal operations, such a lien may be taken in lieu of a lien on real estate, provided the taking of a chattel lien will not interfere with the applicant's ability to obtain operating credit during that period.

"C. When a loan is made to an applicant which includes funds for both operating expenses and real-estate purposes, only one loan docket will be prepared, unless the loan is being made under the circumstances described under paragraph VIII B 7. However, notes and vouchers will be prepared separately for the amounts of the loan funds to be used for each of these two purposes, and the loan will be secured as follows:

"1. That portion of the loan made for operating purposes will be secured as outlined under paragraph VIII A, and also by any liens taken to secure advances made for real estate purposes. The note(s) for advance(s) for operating purposes will be described in both the crop and chattel mortgage and the real-estate mortgage.

"2. That portion of the loan made for real-estate purposes will be secured as outlined under paragraph VIII B. The note(s) for advance(s) for real estate

purposes will be described only in the real estate mortgage, unless scheduled for repayment in not more than 5 years.

"D. When necessary to comply with the security requirements outlined herein, or other special security requirements imposed by the loan approval official in connection with individual cases, subordination agreements will be obtained in accordance with the provisions of paragraph IX K, as supplemented by State instructions.

"E. When crop and chattel liens are to be taken, lien searches will be made in accordance with the provisions of paragraph VII V of FHA Instruction 441.3, as a basis for determining that the Government will obtain the required security.

"F. When a real-estate lien is to be taken, either as primary or as additional security, the applicant will provide evidence of title showing that the Government will receive the required lien. Title clearance and loan closing will be handled in accordance with the requirements of FHA Instruction 427.1, except that (revised May 29, 1957—PN 530):

"1. The promissory note will be dated the date of execution instead of the date of loan closing (added May 29, 1957—PN 530).

"2. When mortgagee title insurance is to be obtained, the amount of the policy shall not exceed the value of the real estate, or the amount of the loan, whichever is the lesser. However, when the real-estate lien is being taken as additional rather than as primary security, the loan approval official may authorize taking the policy for a still lesser amount down to the minimum amount necessary to obtain title insurance, if the lower amount will result in any significant saving to the applicant (added May 29, 1957—PN 530).

"3. When the real estate lien is being taken only as additional security and the applicant is in immediate need of funds with which to carry on his farming operations, the loan may be closed prior to completion and review of title evidence, if the applicant, at or before the time of loan closing (added May 29, 1957—PN 530):

"(*a*) Executes the required real-estate lien. In such cases, the lien will be prepared on the basis of information furnished by the applicant or obtained from any prior mortgages or conveyances of record against the property (added May 29, 1957—PN 530);

"(*b*) Makes written application for, or states in writing that he has made definite arrangements for, the required title examination and title opinion or certificate or mortgagee title insurance to be obtained as soon as possible; and (added May 29, 1957—PN 530);

(*c*) Agrees in writing that he will take promptly any title clearance action and will execute any additional real estate liens necessary to provide the required real estate security (added May 29, 1957—PN 530).

"G. When necessary to protect the Government's interest and to assure the applicant uninterrupted use of his essential farm machinery and equipment, livestock, or farm real estate, nondisturbance agreements will be obtained in accordance with the provisions of paragraph IX M."

"I. *General.*—Paragraph IX M of FHA Instruction 445.1 requires that nondisturbance agreements be obtained in connection with emergency loans when necessary to obtain assurance that applicants will have the continued use of essential farm equipment during the crop year. Applicants in some areas may have difficulty in obtaining the required agreements because they have been unable, due to emergency conditions, to make satisfactory payments to creditors holding liens on their farm equipment. To assist in this respect, this Administration letter provides the authority to make production emergency loans in areas designated because of 1957 production losses, which include funds for payment of depreciation on such equipment.

"II. *Authority.*—When a State director determines that such action is necessary to enable farmers to retain essential farm equipment, a State instruction will be issued authorizing the payment of depreciation as an eligible loan purpose, subject to the following:

"A. This authority may be made available only in areas designated for production emergency loans because of 1957 losses. It may apply to an entire area or any portion thereof.

"B. The total amount which may be advanced for the payment of depreciation in an individual case will not exceed (1) 15 percent of the value of the essential farm equipment under lien, or (2) 15 percent of the amount owed to the creditors holding prior liens, whichever is the lesser.

"C. Generally, the value of the farm equipment will be established by a current appraisal by the county supervisor, assistant county supervisor, emergency loan supervisor, or assistant emergency loan supervisor. However, it is not contemplated that a sight appraisal will be required in every instance, particularly where any of the supervisors or county committeemen have or obtain sufficient current information about the property and its conditions on which to base a decision. It is intended to provide sufficient flexibility to make the appraisal in a practical manner that will not interfere with the prompt processing of applications. The exact method to be used must be determined by the county supervisor, subject to such direction as may be given by the State director. In any event, the county supervisor must satisfy himself in each instance that a reasonably accurate appraisal can be made with the information available and the basis for the appraisal will be reflected in the loan docket.

"D. Advances for this purpose will be made only when there are reasonable prospects that the total amount being advanced for annual operating expenses can be repaid from the year's income. Amounts advanced for the payment of depreciation will be considered as an annual operating expense and will be shown in table E of form FHA–197A, Operating Budget and Financial Statement.

"E. Amounts included in loans for the payment of depreciation will be paid direct to the lien holders by means of countersigned checks drawn on a supervised bank account.

"F. The best lien obtainable will be taken on the farm equipment involved when loan funds are advanced for the payment of depreciation thereon.

"G. This authority is applicable only to the 1958 crop year and expires December 31, 1958. In addition, it supersedes any authority previously granted for the payment of depreciation with emergency loan funds."

Mr. ANDERSEN. And now might I, for the record, ask this further question: Just what can be done under the disaster loan other than the lower rate of interest of 3 percent, which cannot be done under your regular loan activities? Now I am speaking of the subsistence loans in comparison to the disaster loans. Just what are the advantages of the area, in the first place, Mr. Hansen, being declared disaster area?

Mr. HANSEN. For one thing, there is no limit to the size of the loan. We can deal with the small operator, and we can deal with the large operator, if they are otherwise eligible. The family farm requirement is not a factor in it.

Mr. ANDERSEN. And it is the lower interest rate?

Mr. HANSEN. The lower interest rate which is beneficial to them.

Mr. SCOTT. It makes some additional money available that we cannot otherwise use. It permits use of the revolving fund.

Mr. ANDERSEN. Third, then, it does open up different avenues in which the client can utilize the proceeds from the loan, is that it?

Mr. SCOTT. Well, I think not. I believe our regular production and subsistence loan will go a little further.

Mr. ANDERSEN. Will you elaborate on your answer here in the record, please, exactly as to what can be done?

Mr. SCOTT. I think the items already enumerated about cover the advantages.

Mr. ANDERSEN. Let me make this comment. The Small Business Administration, at least its representative, said in my hearing in Minnesota, at a meeting in Marshall last June 30, Marshall, Minn., that a businessman or homeowner in the city of Marshall would be easily eligible for a small-business loan for repairs to his structures and to help him through the disaster. Mind you, if they could not give the Government first mortgages, small business then would accept second mortgage or any lesser mortgage—whatever security could be obtainable to protect those small-business loans in those particular disaster areas.

Now, if that is the case, why should not the same consideration be given to the farmer in the same area who has also suffered a disaster? Why would the Government insist, in connection with crops, for example, that they should always have a first lien—or do they? Am I incorrect in that?

Mr. SCOTT. Yes, that is right. We think it is proper, Mr. Congressman, that the Government have an opportunity to get its new money back first. We take the second, or whatever priority of lien is available, on the equipment.

Mr. ANDERSEN. Yes, on the equipment, but not on the crop?

Mr. SCOTT. That is right.

Mr. ANDERSEN. Now, Mr. Scott, this is fundamental to me. Why should one section of the Government, going into that same area, and attempting to help out, be able to give better terms, so to speak, for the residents of the city of Marshall, whether they be businessmen or homeowners, than your Farmers' Home Administration can give to the farmers outside of the city limits in the same area suffering from the same disaster?

Mr. SMITH. Mr. Congressman, we have the same type of loan for farmers that the Small Business Administration makes to business firms in the capital investment field.

Now, you made references to small business making loans for——

Mr. ANDERSEN. Get me straight on the record. I am referring to what the small business can do under the disaster loan setup, under their end of it.

They were there in that very same meeting.

Mr. SMITH. Yes, I have reference to the same thing.

Mr. ANDERSEN. All right. Go ahead from there.

Mr. SMITH. If they are making loans for the repair of buildings in flood areas, I believe you said that they can take secondary security.

Mr. ANDERSEN. That, at least, was what their representative said publicly there.

Mr. SMITH. Yes; but, Mr. Congressman, we do the same thing with respect to the construction of buildings, repair of buildings, and so on in flooded areas. We take secondary security, too, for our emergency loans. But now when it comes to financing future production on farms with emergency loans, we have always insisted, as any prudent lender would, that when that production is realized and the farmer makes the money out of the production, he should in all good conscience repay the credit that went into that production.

Mr. ANDERSEN. Mr. Smith, certainly we know that the businessman in Marshall—and I am thankful that he can get the help he does get—but, certainly, if his business place is not put back in productive shape, he won't do any producing that year in the line of sales. It is exactly the same thing, as far as I am concerned. You are trying to get the businessman back into condition so he can go along and do business as usual; so, why not the same for the farmer?

And of course I realize this—Does the basic law give you people the right to take any other than a first lien?

Mr. SMITH. We are required to take security for emergency loans, but the statute does not prescribe what quality of security.

Mr. ANDERSEN. I see. You could, then, if you so desired to, make it a matter of policy in areas such as that, which had been hard hit, to take other than first mortgages or first liens?

Mr. SMITH. Under the statute, we could.

Mr. ANDERSEN. Under the statutes, on the crop produced by that particular farmer in the coming year?

Mr. SMITH. Yes, sir.

Mr. ANDERSEN. But your regulations say definitely, then, that——

Mr. SMITH. If we are advancing funds to produce a crop, then our regulations require that the Government get a first mortgage on the crop.

Mr. ANDERSEN. Let me say again, from my experience, the line is very tenuous, very thin, between what constitutes money advanced to do this or do that.

If you advance a man money to fix up his equipment or fix up his buildings on the farm without a first lien thereto, that is helping him to get in shape and he can utilize other money, then, to get in shape for the production of his crop. But I still cannot see—I still feel that you folks are a little bit inconsistent in requiring that the farmer 2 miles out of the city of Marshall is not entitled to the same consideration given to the business people right inside of that city, who live off of that same farmer, really, when we get down to the economics of the question.

I would just like a discussion of this question at this point. It has bothered a lot of people back in my area.

Mr. SCOTT. Yes; we would be delighted to, and appreciate the opportunity.

We think that we are proceeding in a manner that is going to be most helpful to the farmer in carrying him over this bad period. Of course we have faith that conditions are going to improve, perhaps, in another year. We provide the new money that he needs to continue farming, so that he can produce additional income. We think that is an important reason why we should have a prior lien on the crops we finance. The other creditors retain their prior liens on the chattels included in their mortgages. We believe that is the best way to serve the farmer, and to protect his base for necessary operating credit.

Mr. ANDERSEN. Thank you, Mr. Scott.

May I go into something now with a little different line of reasoning?

NUMBER OF LIQUIDATIONS

First, may I have put in the record at this point the number of farmers with whom you have dealt who have sold out during the past fiscal year, whom you have felt called upon to foreclose?

Mr. SCOTT. Yes, sir.

Mr. ANDERSEN. I would like a record of that by States, please.

(The information requested is as follows:)

County offices of the Farmers Home Administration report monthly on the number of liquidations involving borrowers owing operating, emergency, or special livestock loans. A "liquidation" is defined as any action which involves the sale of security property by the borrower or by the Government. This would include voluntary sale of security property or foreclosures initiated by the Government. The monthly reports are broken down to show the number of such liquidations which were initiated by the borrower and the number initiated by the Farmers Home Administration. Most of the liquidations are initiated by the borrower representing often a desire on the part of the borrower for one reason or another to discontinue farming.

The number of liquidations so described above completed during the fiscal year 1957 were as follows:

State	Number of liquidations			State	Number of liquidations		
	Initiated by borrower	Initiated by Farmers' Home Administration	Total		Initiated by borrower	Initiated by Farmers' Home Administration	Total
	1	2	3		1	2	3
Alabama	29	99	128	New Jersey	14	10	24
Arizona	2	19	21	New Mexico	27	59	86
Arkansas	215	85	300	New York	102	21	123
California	21	17	38	North Carolina	40	143	183
Colorado	103	19	122	North Dakota	111	34	145
Connecticut	0	0	0	Ohio	85	15	100
Delaware	1	1	2	Oklahoma	104	117	221
Florida	20	39	59	Oregon	33	14	47
Georgia	7	139	146	Pennsylvania	29	21	50
Idaho	35	36	71	Rhode Island	0	0	0
Illinois	107	11	118	South Carolina	34	97	131
Indiana	96	38	134	South Dakota	134	86	220
Iowa	142	10	152	Tennessee	52	38	90
Kansas	81	42	123	Texas	369	396	765
Kentucky	26	28	54	Utah	14	28	42
Louisiana	36	65	101	Vermont	5	2	7
Maine	7	7	14	Virginia	25	20	45
Maryland	17	23	40	Washington	29	27	56
Massachusetts	4	2	6	West Virginia	52	9	61
Michigan	75	29	104	Wisconsin	139	30	169
Minnesota	181	47	228	Wyoming	20	25	45
Mississippi	50	105	155	Alaska	1	1	2
Missouri	182	85	267	Hawaii	0	2	2
Montana	17	16	33	Puerto Rico	22	14	36
Nebraska	203	36	239	Virgin Islands	0	0	0
Nevada	4	1	5				
New Hampshire	13	6	19	Total	3,115	2,214	5,329

Now, secondly, I would like, Mr. Hansen, in connection with Farmers Home Administration, if you will analyze for me the basic line of reasoning, or the policy as laid down by the Farmers Home Administration in connection with the theory which I have always held, and that is this: that perhaps if a man is forced off of the farm in one instance, it might have been better for the Government had they been a little bit more liberal in trying to keep this man afloat on that farm, rather than to force him to go into some other field where he might even become a direct-relief client.

It is my feeling, Mr. Scott, that we do not necessarily save the Government whatever settlements they might obtain from that loan because, after all, the Government is 175 million people in America, and by being unnecessarily harsh, if we are, with any farmer, we may perhaps throw him out of business.

Perhaps you can take some time in analyzing that in the record for me, as to your policy.

COLLECTION POLICY

Mr. SCOTT. With your permission, we would like to put in the record a statement of our policy on collections.

We have reviewed this many times. I believe when you see it you will agree that it is very considerate—and what other lenders might term a very liberal collection policy. We think it ought to be that way for this type of loan. We have required State Directors to

send in detailed reports on just what the circumstances were when they foreclosed, or forced collection of their loans. The percentage of forced collections has been very low. We have been gratified to see the extent to which FHA personnel have been extremely patient. And again, we think that is the kind of job we have to do here. We want to be sure that we are not acting on mere technical loan violations. Unexpected demands for credit have, in some instances caused borrowers to divert the proceeds of sales that, under their mortgage, were obligated to the Farmers' Home.

We want to be sure that we do not without adequate reasons determine that it is a bad-faith case.

On many of the forced collection cases, we find they had a good talk with the borrower following the first diversion of sales proceeds yet it happened 2 or 3 times more before collection was forced.

Of course, leniency should go to the point where the Government is in jeopardy on the collection of its loans. Furthermore it is to the borrower's interest to repay to the extent that his income will permit.

Mr. ANDERSEN. Certainly, Mr. Scott, none of us today will condone chicanery, whether it be on the part of my fellow farmers or business people or any of us here. And if it has come to that point, certainly, you will get the utmost backing, I am sure, from the subcommittee.

(The information referred to is as follows:)

The primary objective of the Farmers' Home Administration's lending program is to assist farm families to become established in successful family-type farming operations so that within a reasonable time they will be able to graduate to other sources of credit and operate without further assistance from the Government. In attempting to accomplish this objective it is recognized that borrowers are sometimes unable to meet the scheduled payments on their loans as they fall due. This may be because of circumstances beyond their control such as drought, flood, hail, illness, changes in economic conditions or needed readjustments in their farming operations. It is the policy of the Farmers' Home Administration to continue with such borrowers until they can graduate to other sources of credit, provided they continue to make payments in accordance with their ability to pay, observe the conditions prescribed in the lien instruments which they have signed, and have reasonable prospects for eventual success in the farming business. Farmers' Home Administration loans are not discontinued with borrowers solely because they are delinquent or because of only minor deviations from the conditions prescribed in the security instruments.

Getting back to what I have always conceived through the years on this subcommittee to be the purpose of the Farmers' Home Administration, you deal with the poor strata element, finally speaking, of the agricultural world in the United States of America.

Mr. SCOTT. That is correct.

Mr. ANDERSEN. You deal with people to whom you are the last court of resort in case of financial trouble. They have tried to get credit elsewhere, and finally they have to go to you people. And many of them have been boosted up and put into a position of financial security to the point where, back in my area, I know of hundreds of cases where they have again become clients of our local banks. And that is the way I like to see it. I know that is the goal both you gentlemen, Mr. Scott and Mr. Hansen—and Mr. Smith, and all of you whom I have known—work toward. But we come to a point then as to whether, from the viewpoint of the United States of America whether or not it would not be well to not be too proud of the record of repayments. Now I am perhaps proud of that in the State of

Minnesota, the 97.8 percent record of repayment since 1946 on your loans.

Some of the other States have gone down to 83 percent. So when I look at that record of repayment, I wonder if perhaps it would not analyze more thoroughly what the Farmers' Home Administration should be able to do toward helping out our lower level of financial strata of people in agriculture; if that level of 97½ percent, or whatever it is, in Minnesota should not be down around 90 percent? In other words, I am wondering if when you deal nationwide with a big problem such as you people deal with, I am sure in my own mind that you must expect a certain small percentage of loss. Because if you can rehabilitate and get back 90 percent even nationwide, or even 88 or 85 percent nationwide, of these loans you extend to these people, to these people who have been turned down by all other financial sources, I think you have done a remarkable job. And I would say that even if we had to charge off, Mr. Chairman, 10 percent annually of our appropriation for new authorization for loan as a sinking fund for you people, that that would not be out of line at all. I think it would be good for the economy of the United States of America.

I am just trying to analyze in the record my feeling as gained here by many years as to what your policy in the Farmers' Home Administration should be for the good of the Nation. Because this, after all, and I repeat again, is for the benefit of the lowest strata of people in agriculture in the United States of America, and we cannot expect to do it on a purely banking basis.

Mr. SCOTT. That is right, Mr. Congressman. We realize that we are going to have some losses. I think they have been well justified by the help that has been given deserving farm families. I think that, as you would analyze this collection record, you will find that there is a great element of sincere appreciation and the real character of these people showing up in that record. These repayment schedules are made on very considerate terms in relation to what is expected in the way of production. I think these people appreciate this credit more than the borrowers of a bank, or other places, where they can get their credit from one place or another. They appreciate the help that they are given. And these repayments in many instances, are voluntary advance payments. They know it is helping to keep their credit good.

LOAN RENEWAL POLICY

Mr. ANDERSEN. Mr. Scott, let me quote from page 2 of Mr. Hansen's statement for the record. You say there, Mr. Hansen:

> The record of repayments to maturities continues to be good. Repayments on operating-type loans stay at about the same level each year. As revealed by the accounting records, delinquencies are usually quite high due primarily to the fact that our policy—I want to underscore "our policy"—does not permit renewing the loans. When individual borrowers are unable to meet their payments due to factors beyond their control, a rescheduling of the payments is worked out locally with the borrower but this is not formalized into a note combining principal and interest as is the practice with most lenders.

Now might I get back to those two words "our policy." Is that as laid down by the Congress, or is that laid down by the Farmers' Home Administration?

Mr. HANSEN. That is a departmental policy.

Mr. ANDERSEN. All right, if that is a departmental policy, just why do you people not permit, in extenuating circumstances, the renewal of the loans?

Mr. SMITH. Mr. Congressman, that statement has reference primarily to the operating loan program made under title II of the Bankhead-Jones Farm Tenant Act.

Mr. ANDERSEN. You are talking about the production subsistence loan?

Mr. SMITH. Yes, sir.

Mr. ANDERSEN. I am referring to that now, too. Let us discuss it on that basis?

Mr. SMITH. Yes, sir. Now under that loan authority we can make loans in the first instance up to 7 years, depending upon the purpose of the loan and the repayment ability of the borrower. Now if we do, in a given case, make the loan for 7 years, under the statute we would not have general authority for renewing that loan beyond the 7-year period. The only renewal rights that we would have under the statute would be to change the amount due at specific periods within that 7-year period.

Mr. ANDERSEN. Well, then, you would not agree entirely with Mr. Hansen, it would be just a departmental policy?

Mr. SMITH. It would somewhat. If we made the loan in the first instance, for example, for 3 years or 4 years, then we would have authority to extend the final due date on the note to the maximum.

Mr. ANDERSEN. What liberalization was made just recently by the Congress relative to these repayment features?

Mr. SMITH. The liberalization which you have reference to, I think, is that the statute had a proviso in it that if a borrower was indebted for operating loans consecutively for a period of 7 years, he was not eligible for further loans. That was extended to a 10-year period, sir.

Mr. ANDERSEN. You still say, then, Mr. Hansen, that it is departmental policy not to renew loans?

Mr. HANSEN. Well, other than the provisions that Henry indicated there. But if a borrower is delinquent, we just carry him delinquent and effect payment at a later date. That is what I meant.

Mr. SCOTT. There is no disadvantage that I know of to the borrower, about that. It is just an operating matter, that through the years they have felt it would be more practical to handle it this way rather than drawing up a whole new set of papers and renewing the loan and adding the interest in. It is strictly an operating decision.

Mr. HORAN. A deferral?

Mr. SCOTT. Yes. I know of no disadvantage to the borrower that accrues from that.

Mr. SMITH. No.

Mr. HANSEN. Another thing, Mr. Congressman, if we did renew it would not be an advantage to the borrower, he would be paying interest upon interest in that case.

Mr. ANDERSEN. It would be better, though, Mr. Hansen than perhaps forcing him out of the farm business?

Mr. HANSEN. This would have no bearing on forcing him out of the farm business, Mr. Congressman, in that we will continue with him even though he is a delinquent. If he is only 1 cent delinquent, our records will indicate he is delinquent.

Mr. ANDERSEN. Gentlemen, I am just asking questions for the record. I hope that you feel the same as I do about the particular questions, and I am just trying to determine for the record exactly what the policy is, the real underlying policy of the Farmers' Home Administration is to the average lender.

Mr. SCOTT. We appreciate this opportunity to do that.

Mr. ANDERSEN. Thank you, sir.

COLLECTION POLICY

Mr. SCOTT. We have a very considerate collection policy. I am confident of that. There is no emphasis put on collections just for a record. The collection of loans is handled in a businesslike manner that also, we think, is in the best interest of the farmer. When we are financing for recurring costs—speaking about operating loans—these costs are going to come up again next year, so repayments should be made to the extent that income will permit.

When he has the income, it is the policy to make our collections in keeping with an understanding with him that certain amounts will be repaid from this income.

Now if his income does not come up to expectation, our people adjust repayment schedules and give him additional time if he needs it.

Mr. ANDERSEN. I think, gentlemen, you will agree with me that Congress, as a whole, feels that here is a particular part in our economy where we can do much good. We should help those who need it. I would rather make a few little errors in judgment than to say to one man who really does need it, and could possibly pull out, "No, you cannot be helped, we cannot afford to do that."

I say that because, going back 4 or 5 years, I recall the only amendment to increase the budget, I believe, the first year of the Congress where I happened to be chairman of the committee, was my amendment to add $25 million in loans for the Farmer's Home Administration. That was the only increase permitted by the House of Representatives, and later by the Senate, over the budgetary estimates that particular session. So it shows how the Congress as a whole feels about the work which you gentlemen are doing. I think you are in a field in which you can do an immeasurable amount of good.

RURAL DEVELOPMENT PROGRAM

Mr. HORAN. I was intrigued with your statement on page 5, Mr. Scott, and I would like to ask some further development of this. Bear in mind that I asked the same questions of Mr. Ferguson and Assistant Secretary Peterson when they were before us. I am going to read the paragraph, because I would like to know more about this.

The rural development program is progressively receiving more widespread support throughout the country. It is proving to be an effective way for people in all walks of life to join together in working out practical solutions to the problems of disadvantaged agricultural areas. We believe that this program will be very helpful in finding answers to the problems of many of the low income and less than family-type operators. The loan services of the Farmers Home Administration are available in all of the pilot counties which have been established. So far farm credit has not been a major factor in the individual programs. To the extent that farm credit is the answer, we believe that the Farmers Home Administration now has adequate statutory authority to render maximum assistance.

That intrigues me, and I would like to have a little further elaboration on it. Are you able to get things done by merely bringing people together and, assuming they are rural and urban community problems, discussing them to the point where the farmer who is better does not require additional assistance, credit-wise?

Mr. SCOTT. I did not mean to imply that that has taken care of the need for credit, Mr. Horan. There are a good many reports coming in from these pilot counties that show that when leaders in all phases of their society have gotten together with some help usually from their counterparts on the State level, that they have analyzed in a very realistic way what their resources are and what their problems are, and have been able to come up with some good, practical approaches to improving the situation locally. It has varied from one community and one county to another as to what they have decided to do.

Mr. HORAN. I have seen some very remarkable things done without cost to the Government eventually, although liberal credit had to be a portion of that program, under the old regional agriculture credit corporation. I think, Mr. Smith, you cut your eye teeth in this work and that department. I know it can be done and I am very happy to see this program reinstituted. I think we called it at that time land use plan program.

And you can enlarge on that. I do not want to take the time of the committee. Off the record.

(Off the record discussion.)

FARM CREDIT POLICIES

Mr. HORAN. Now you have here a statement on page 3 which is very interesting to me, because I have seen farm credit in various phases of operation, and I have seen the time when we had virtually fuller levels of borrowers, those who could not command credit elsewhere; those who were able to command credit, perhaps, through cooperative or in some cases through production credit associations where they require a maximum of supervision, although, they could command a foothold on their own credit; and then we had others who borrow at a less supervised level, and they were the ones who the borrowers recognized had proven their mettle and could run their own show, and then, of course, we had those who were fortunate enough to be able to borrow from private sources.

I recall an experience at one time of a local industry of some 3,500, of which I was and still am a member. Only 5 percent of that group were able to command credit from private sources, and that was quite shaky because of the condition of the industry.

So I have always regarded the privileges that we give to the underprivileged, creditwise, as privileges which should not become a vested right of theirs. And I just want a little enlargement on this, because I think it strikes deeply at the difficult job of administering programs such as the Farmers Home Administration.

At the bottom of page 3, you say, under Relationships with other lenders:

> We are continuing to work closely with other principal lenders, including banks and production credit associations in an effort to improve services to farm families. Close cooperation with local lenders provides many an opportunity to assist

applicants to secure credit from these sources. Local banks and PCA refer applicants to our office, and we refer applicants to them.

Now, do I take that to mean that some of those who had their credit impaired, through perhaps no fault of their own, were referred to you by the local banks, perhaps some with the admonition that as soon as they had worked out their problem they would be glad to have them as customers?

Does that mean that the PCA's sometimes have members who are referred to you by them?

And then I take your statement "refer applicants to them" to mean that there is a commencement exercise sometimes in the Farmers' Home Administration, that there may come a time when a man has proven his worth and he is no longer eligible for this 3 percent?

Mr. SCOTT. Yes.

You have raised several points which we think, Mr. Horan, are very basic to getting this job done in the way that will help farm people permanently in the best ways.

We are putting forth a good deal of effort to bring about a good understanding with other lenders as to just what Farmers' Home has been authorized by the Congress to do, and some of the things that it has been directed not to do. And we are finding it more and more the case, when we do get this proper understanding and dissipate the feeling that exists sometimes that we are really competitive that they refer to us the families that Congress had in mind for us to help. Then they do not refer to us just sticky collection problems that they ought to go ahead and handle themselves.

We are bringing over to them our borrowers as they progress and get ahead. And oftentimes, as Mr. Hansen said earlier, our people in these county offices, with the fine knowledge that they have, help a farm family develop a good farm and home plan that assists them to continue to get needed credit from the bank on PCA from which they have been borrowing.

And sometimes we find that this feeling of competition is entirely the result of the extent to which we analyze these farm businesses. Whether you go in with partial financing or take a good look at what it takes to set up the business in a way that the family can get ahead and have the things in life that they deserve. So, we think that there is a lot of advantage in this to farm families.

Mr. HORAN. Do you make it plain to them that they are getting, actually, because of circumstances perhaps outside of their control, an advantage over their neighbors by way of free supervision—that is what it amounts to—and a lower interest rate? Do you make that completely plain to them when the loan is entered into?

Mr. SCOTT. Well, I have not heard it referred to in just those terms, Mr. Horan.

Mr. HORAN. Well, it amounts to that, and I think the Congress insists on it.

We are dealing with those who are in need of help and who come to the Farmers' Home as an honorable institution and they as honorable American citizens. But they just simply say:

"I cannot get credit any place else, and I need help in order to succeed," and many of them do.

I have lots of instances in my district where they would have otherwise been relief cases, they would have been practically enemies

of our Government because it had turned them down; they would have been on the breadline because the Government would not consider their situation.

But, at the same time, while they are entitled to this consideration and all of this attention, there must come a time when they have to be graduated to a higher echelon of credit, and perhaps pay more tax—well, they will pay more taxes as they succeed—and perhaps more interest. Because we are actually taking money from 173 million people to grant this lower interest rate. At least, I look at it that way.

We are loaning money at a good deal lower rate than they can command from PCA or a cooperative credit source, or from a local bank.

Mr. SCOTT. Graduation is a very firm policy, and I say that in all sincerity.

It is a firm policy, to continually keep working with the State and county FHA offices throughout the country to have them regularly review loan holders and talk with these good families as they progress to the place where they are ready to go over to someone else. A year or two in advance of that they are encouraged to begin making some preliminary contacts. And our people help them do that.

Mr. HORAN. But you have to depend upon the local supervisor and the State administrator to determine who at any given strata of agriculture production is entitled to Farmers' Home Administration help?

Mr. SCOTT. That is right.

Mr. HORAN. Isn't that true?

Mr. SCOTT. That is right.

Mr. HORAN. I say that because I intend to be completely honest in a program that I am asking you to institute in the fruit area out our way now. I do not know how many will qualify for Farmers' Administration loans as producers. They are all good people, but you should make that program very clear, because it will save you headaches later on.

Now, on this rural development program, I would like to have from you, from the credit end, some reference to something that this subcommittee has been demanding for years and which actually is here in the shape of a progress report, and that is the resources necessary in order to make a given level of income in the farming field today.

That was published in December, as you know, and it is information bulletin No. 180.

And, if we consider the family-size farm, and an adequate income, we now know and have some benchmarks, standards of judgment, upon which to say what size loan is necessary for Farmers' Home Administration to consider in any given case.

You will find, if you have not yet read this bulletin, that studies were made in about six parts of the United States. One is forthcoming, I believe, on the Columbia Basin reclamation project, and I will be interested to see that, because that has a bearing on two things: The amount of money that is required if you are to do the job right; and, secondly, the inadequacies of the law if the loaning limits are not today adequate. And, if they are not, rather than criticize the Administration, I would rather have Congress take action to see that the proper level of limitations exists.

EMERGENCY FEED PROGRAM

Now, you said on page 6, Mr. Scott:

Last year, I stated that we were working on plans to relieve the Farmers' Home Administration of all responsibilities—

I would like to emphasize all responsibilities—

in connection with the Department's emergency feed program which was then being conducted jointly by the Farmers' Home Administration and the Commodity Stabilization Service.

I think we had a little hassle out our way and I finally won, but it took a long while. I think that the Farmers' Home Administration is amply organized today to give you superior information as to when a program is needed immediately and when it is not.

My question is: Do you feel that the Commodity Stabilization Service is adequate and properly deployed to give you that information? We are dealing now with the possibility of maybe a 5- or 6-foot snowstorm that might cover up all pastures, and a cow can get awfully darn hungry in 2 or 3 days.

What is your reason for saying this?

Mr. SCOTT. This reference had to do with the operations of the emergency hay and emergency feed-grain programs. Up until about the middle of last year, the responsibility of accepting applications and handling certain phases of these programs was divided between the county committees and the county offices of the Farmers' Home and the ASC. Since these two programs pertain to feeds, we felt that it would be more appropriate to concentrate the handling of applications and the administration of the program in the commodity-stabilization offices.

At the State level, and also at the county level, the committees that investigate conditions and make recommendations include the Farmers' Home Administration representative.

Mr. HORAN. I got some criticism from folks that did not get any of that emergency feed simply because they had money of their own with which to buy it on the open market. And I know that some of our poor farmers out there, because we were so late in getting help out there to them, had to sell their stock at a sacrifice because they just did not have any hay left. Now, the ones that wrote letters to the editors telling them what a good fellow I wasn't had money in the bank, had haystacks, they had everything that foresighted management demanded.

And it seems to me that the ones that we are trying to serve through the Farmers' Home Administration are the first ones we might be called upon to serve in any emergency feed program.

Off the record.

(Discussion off the record.)

LEVEL OF LOAN AUTHORIZATION

Mr. HORAN. Have we established that the loan authorization is adequate? And there would seem to be some divergence of opinion here. We know that, at the local level—at least in my district, I know, because I work with them and try to cooperate—at the local level we have good committees who do a lot of things they do not get paid for. We know that the State administration, at least out

my way, is very good. We know that loans are not apt to be made unless they are necessary, and they are made under wise supervision. If they are not, I want to be the first to criticize any instance that comes up. At the same time, I want to see these programs progress and flourish.

The matter of contingency to make sure—my last question, Mr. Chairman, should bear this out—we want to make sure that in the crop year coming up we will have adequate funds for the Farmers' Home Administration even after Congress may adjourn, and we will be going through 2 or 3 months when we might suffer if we do not take action now. Mr. Hansen, you felt that the loan authorization was adequate?

Mr. HANSEN. If we get these other authorities, I think we will be able to function very well.

Mr. HORAN. Do they become part of the public debt until you draw on them?

Mr. HANSEN. Not until we draw upon them.

Mr. HORAN. If we were to give you a contingency fund here, a modest amount, that would not be drawn on until your regular funds are used up?

Mr. HANSEN. That is right.

Mr. HORAN. And then, if you had to draw on the contingency, it would become part of the public debt?

Mr. HANSEN. That is right.

DISASTER LOAN REVOLVING FUND

Mr. HORAN. That is all, Mr. Chairman, on that.

Now I would like to go down, if you do not mind, on your chart here, which just precedes page 320 in the justifications, and ask you some questions. Any of you may answer these, because I want to follow through by States, if I may, and see what the picture, as we can see it, might be. I will ask it in two sections. I assume that these figures have some reason behind them. I have also checked the repayment figure, and I want to say for my own State, while we have not drawn on this disaster fund yet, to any great extent, that there are plenty of States—I think Rhode Island is the best, and Minnesota is second for repayment figures. Ours are a little bit less than the average. I say that because what I am doing now has no relation to politics, I just want to know what the picture is.

You had a total revolving fund of a little over $466 million; is that correct?

Mr. BARNARD. That is the total loans that have been made, the gross loans that have been made from the revolving fund since the beginning in 1949.

Mr. HORAN. What is the total of that revolving fund as of this date?

Mr. BARNARD. The balance in cash in the fund right now is about $43 million.

Mr. HORAN. Yes; but what is the total fund?

Mr. BARNARD. The gross assets of the fund are about—I would say about $150 million.

Mr. HORAN. Do you consider that adequate?

Mr. BARNARD. Yes, sir; I think it will be.

Mr. HORAN. Well, we all know that Texas, which is the leading one here, had loans of better than $164 million. Texas had some very poor years. What is the outlook for Texas?

I might add that their repayment record is not bad. What is the outlook for Texas this year as far as you can see it now?

Mr. HANSEN. I think, sir, things are looking up in Texas from our program standpoint.

Mr. HORAN. There are some States where they are not?

Mr. HANSEN. That is right.

Mr. HORAN. I think the second one is Arkansas, who had loans better than $33 million. What is the prospect there?

Mr. HANSEN. Other than in the delta section, it is quite good.

Mr. SMITH. Yes; they will increase their volume of emergency loans this year.

Mr. HORAN. If you don't mind, I want to ask some questions specifically, and see what the outlook is, and you can amplify this for the record when you get through.

Mr. HANSEN. Well, in Arkansas, as Mr. Smith said, the volume will surely be up because of disaster conditions.

Mr. HORAN. Missouri is the next one with $23.3 million. What is the picture there?

Mr. HANSEN. We expect a large program there because of the same circumstances that have effected this whole Mississippi Delta area.

Mr. HORAN. That is due mostly to the weather?

Mr. HANSEN. Excess moisture.

Mr. HORAN. The fourth one is Mississippi. The same reasons here as to Missouri?

Mr. HANSEN. At least a portion of it; yes, particularly in the southeastern section.

Mr. HORAN. The fifth one appears to be North Dakota. What is the condition there?

Mr. HANSEN. Mr. Smith?

Mr. SMITH. North Dakota has had two kinds of designations over the last several years, Mr. Congressman. They have in several years had designations because of hailstorms and some drought conditions in some counties, which has given rise to the need for production emergency designations. In addition the agency has been using the authority under Public Law 727 for the past several years on a statewide basis in North Dakota because of the heavy demand for crop production loans that are not available through private credit sources.

Mr. HORAN. I think at this point I would like to have a table of all these States included in the record, which should include their repayment percentage, which is, in the case of most of these States that have gotten the most money—their repayment record is good. So we do not need to worry about the amounts, except it does make you wonder.

Mr. SCOTT. Mr. Horan, could I elaborate just a little on this North Dakota deal?

Mr. HORAN. Yes.

Mr. SCOTT. We do not want to be critical about the good State of North Dakota, but that is the one State that——

Mr. HORAN. Do you want this on the record?

Mr. SCOTT. Either way, I do not mind. I think it is a matter that you ought to know about. It is the one State where the banks do not have authority, legal authority, to make production loans. We have been calling to the attention of the people in the State, that they are imposing on FHA to a greater extent than the other States because banks in other States usually make a good many of these loans. We find ourselves in a position of having good deserving farm families out there that year after year have to come to us as their source of credit. There is no other place that they can go. They have tried a time or two to get this law changed but without success.

Frankly, we have to stretch our disaster loan declaration a little bit in order to take care of these families for which for reasons beyond their control, credit is not available. I think the leaders in the State and their legislatures ought to face up to the situation and get in line with lending authorities in other States.

Mr. HORAN. I think that is a good thing for that to be on the record.

(The information is contained on the following table:)

Total advances for production emergency, economic emergency, special emergency, and special livestock loans since beginning of each program to Dec. 31, 1957, and the percentage of principal repayments to principal maturities as of Dec. 31, 1957

State and Territory	Production emergency loans		Economic emergency loans		Special emergency loans		Special livestock loans	
	Advances	Percent of principal repayments to maturities	Advances	Percent of principal repayments to maturities	Advances	Percent of principal repayments to maturities	Advances	Percent of principal repayments to maturities
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
United States total	$270,184,338	88.9	$96,800,879	88.2	$25,664,711	93.9	$81,844,289	82.9
Alabama	5,706,263	96.1	277,450	97.2	201,015	99.3	210,460	94.6
Arizona	163,621	77.8			187,535	82.1	997,733	94.5
Arkansas	19,343,914	94.6	11,986,562	97.4	438,410	95.3	942,517	86.4
California	5,851,808	92.1					934,789	90.4
Colorado	10,144,412	80.0	422,554	75.2	331,103	80.5	9,436,090	88.6
Connecticut	259,780	103.1						
Delaware	130,605	91.7						
Florida	4,349,114	89.8	701,300	93.8			1,027,815	97.2
Georgia	12,372,790	96.3			355,385	96.6	479,080	82.7
Idaho	1,204,210	95.6			206,735	101.8	1,603,840	85.5
Illinois	690,643	92.5			554,930	98.6	50,800	97.8
Indiana	102,950	72.9			284,750	99.0	170,900	100.0
Iowa	276,175	97.4			581,431	99.4	4,000	100.0
Kansas	10,369,280	78.3	3,875,735	83.0			4,372,604	94.1
Kentucky	635,875	95.6	668,808	95.3			66,121	85.8
Louisiana	4,871,702	96.0	2,554,591	95.2			125,475	99.9
Maine	294,135	94.9	2,895,745	97.2	5,208,490	84.1		
Maryland	183,771	85.3					1,200	100.0
Massachusetts	524,367	83.7					13,000	83.3
Michigan	752,004	73.3					42,500	100.0
Minnesota	624,705	92.9			2,072,266	95.0	25,195	100.0
Mississippi	19,202,836	94.5	3,345,102	94.9	541,900	90.6	34,595	89.0
Missouri	18,032,009	96.4	6,861,602	97.5	1,567,840	90.6	2,003,565	87.5
Montana	771,642	93.3					6,241,439	89.3
Nebraska	117,390	95.3			1,246,715	102.0	227,240	85.5
Nevada	450,549	85.5					1,678,020	86.3
New Hampshire	120,720	86.6					5,910	100.0
New Jersey	835,547	86.9	423,185	89.5	118,450	84.5	114,000	93.9
New Mexico	2,707,455	78.2	2,378,603	85.6			8,156,315	83.0
New York	1,705,728	91.9	19,845	81.2	329,950	78.1	53,895	84.1
North Carolina	7,058,044	93.7	5,817,667	98.1	991,135	90.3	9,415	84.1
North Dakota	10,207,786	98.9			7,901,458	97.9	17,835	100.0
Ohio	177,030	101.9			55,335	99.5	26,845	94.8
Oklahoma	8,821,974	87.4	4,304,772	84.7			5,390,549	85.2
Oregon	847,700	88.9					784,190	75.2

Total advances for production emergency, economic emergency, special emergency, and special livestock loans since beginning of each program to Dec. 31, 1957, and the percentage of principal repayments to principal maturities as of Dec. 31, 1957—Continued

State and Territory	Production emergency loans		Economic emergency loans		Special emergency loans		Special livestock loans	
	Advances	Percent of principal repayments to maturities	Advances	Percent of principal repayments to maturities	Advances	Percent of principal repayments to maturities	Advances	Percent of principal repayments to maturities
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
United States—continued								
Pennsylvania	$378,307	80.2	$1,500	50.0			$138,060	78.4
Rhode Island	83,947	98.8						
South Carolina	11,473,549	95.5			$786,785	95.4	10,870	100.0
South Dakota	4,581,570	95.4			1,668,663	90.0	1,682,205	89.3
Tennessee	2,310,979	92.9	1,381,810	98.0			82,990	93.2
Texas	92,588,556	81.7	48,492,828	82.3			30,193,611	73.6
Utah	541,798	94.0					2,030,188	93.8
Vermont	218,280	95.0					9,180	100.0
Virginia	2,707,935	95.2	387,720	96.2			240,090	93.4
Washington	2,200,856	73.2					131,197	85.1
West Virginia	132,710	68.9	1,000	100.0			23,215	97.6
Wisconsin	466,259	96.4						
Wyoming	1,628,934	93.5	2,500	100.0	34,430	93.5	1,989,376	94.2
Alaska	76,130	97.3						
Hawaii							49,375	94.8
Puerto Rico	885,994	111.5					16,000	100.0
Virgin Islands								

NOTE.—Principal advances in each State include, or exclude, as the case may be, advances to individuals moving from one State to another if indebted at the time. The United States total advances are not affected thereby.

Mr. HORAN. The reason I want this is because I do feel that this is pertinent to the application nationwide of Farmers' Home Administration. I think if we can spread this on the record we will have a better understanding of what they are faced with and what they are trying to do.

Now I want to make particular reference at this time, if I may, because several of us on this subcommittee, including Mr. Natcher and myself, have been guests at the Florida Citrus Commission, have visited Florida, particularly as to their burrowing nematode problem. They have a problem there. I think the heart of all America goes out to Florida at this time, especially producing citrus growers down there, because they cannot help but be quite a factor in next year's relief program.

It just cannot be otherwise. And it may have to carry over more than 1, 2, or 3 years. We do not know the extent of the damage. They have not been allowed on the disaster program up to now, but their amount will have to increase tremendously. However, I think there is justification for it.

Mr. SCOTT. They have one of the most acute conditions down there that we have found in any State for a long time. It is a real disaster.

Mr. HORAN. I understand you have been working down there since December in some forty-odd counties.

Mr. SMITH. I believe that is right.

Mr. HORAN. I would like to have that spread on the record, because by and large what we are discussing now is at least the beginning work of the Farmers' Home Administration, not to be a relief agency, but to be a rehabilitating agency of American farmers.

CONDITION OF THE DISASTER LOAN REVOLVING FUND

Do you consider the revolving fund healthy?

Mr. HANSEN. Under our present program, we feel that it will be adequate.

Mr. HORAN. Do you feel that your repayment record is pretty good considering the fact that you are dealing with disaster areas?

Mr. SCOTT. I think it is very good.

Mr. HORAN. I am inclined to agree with you. And it is revolving, as it should, in good shape.

Mr. SCOTT. I think it is remarkable, the way those loans pay off.

Mr. HORAN. I want to commend all of you. I have nothing but commendation for the Farmers' Home Administration.

Mr. HANSEN. Thank you.

Mr. HORAN. And I am very happy to see you are being able to acquire, and apparently keep, some pretty good men in the field. I for one, and I think I am joined by at least the majority of this committee, wish you good luck.

Thank you.

SCOTT. Mr. Congressman, I think that the record of repayments on all of these FHA loans speak very highly for the ability and character of these farm families, and especially in the disaster areas. There have been many, many instances, not just individual instances, but in counties and States, where during the first year the distressed conditions did not end. FHA was right back there the next year staking their borrowers again, and sometimes for a 3d and a 4th year. And

those farmers, when they finally did get a crop, were right in there doing their very best to pay.

It does great honor to these farm people who, as you mentioned earlier, are at the bottom of the totem pole from the standpoint of getting credit. And they appreciate it, I am sure.

Mr. HORAN. If I may comment on that, Mr. Chairman, the basis of our judgment here, and I think the judgment of everyone in this room, is that here are able and worthy people who just cannot command credit, and I think it is to the credit of the United States, and the people in it, that we have such a program. And I think it is a credit to everyone connected with it, and I will include the subcommittee. And we would like to keep it that way, keep it healthy.

That is all.

Mr. MARSHALL. Mr. Vursell?

Mr. VURSELL. I have been watching Mr. Scott's record for a good many years, and I tend to look upon him as one of the controllers down there. He is willing to go as far as the law will go and yet, at the same time, he takes care of the Department. Mr. Hansen does the same thing.

Mr. MARSHALL. Did you have anything further that you wanted to say?

Mr. SCOTT. No, thank you.

Mr. MARSHALL. I would like to say this, that it has been my privilege to spend some of the best years of my life working with the Farmers' Home Administration and its predecessor the Farm Security Administration.

That program, to me, has been a program that has grown with me over the years, because I know first hand its value to the farm people and the people of rural America.

I was even more impressed with the value of the program this last fall when the subcommittee made a trip to South America.

We met a number of people who had formerly worked with the Farm Security Administration and were now working with the point 4 program, people who had obtained a lot of their training in connection with rehabilitation work with the Farm Security Administration. Those people were dedicated people, carrying out the principles that they learned so well under the Farm Security Administration.

We, as members of this committee, are all intensely interested in rural America. And we know, all of us at firsthand, the value of this program—that a program of this kind has in assisting the family farm people of the United States. When you people go out with your work and work with these farm families, you are doing more than granting credit and collecting loans; you are making a livelihood possible for these people. And even on top of that, you are doing a vital thing to make the community of rural America better. You are giving the people of rural America a chance to be better citizens. That citizenship is important in the way in which these people have responded to their responsibility of the repayment of their loans, which, certainly, is a real tribute to them as citizens. I'm proud of those farm families.

The committee will stand adjourned until 1 o'clock tomorrow.

OFFICE OF THE SECRETARY

WITNESSES

RALPH S. ROBERTS, ADMINISTRATIVE ASSISTANT SECRETARY OF AGRICULTURE
G. OSMOND HYDE, CHIEF HEARING EXAMINER, OFFICE OF HEARING EXAMINERS
MORRIS KAUFMAN, CHIEF, BUDGET SECTION, OFFICE OF PLANT AND OPERATIONS
ERNEST C. BETTS, JR., DIRECTOR, OFFICE OF PERSONNEL
CHARLES L. GRANT, DIRECTOR OF FINANCE AND BUDGET OFFICER

SALARIES AND EXPENSES

Program and financing

	1957 actual	1958 estimate	1959 estimate
Program by activities:			
1. General administration	$530,128	$575,920	$575,920
2. Personnel administration and service	586,509	649,104	649,104
3. Budgetary and financial administration and service	576,132	624,445	624,445
4. General operations	529,628	561,346	561,346
5. Administrative management	75,070	87,275	87,275
6. Regulatory hearings and decisions	148,124	151,070	151,070
7. National Agricultural Advisory Commission	10,942	11,500	11,500
Total obligations	2,456,533	2,660,660	2,660,660
Financing: Unobligated balance no longer available	43,467		
Appropriation (new obligational authority)	2,500,000	2,660,660	2,660,660

Object classification

		1957 actual		1958 estimate		1959 estimate
	Total number of permanent positions	339		340		340
	Full-time equivalent of all other positions	1		1		1
	Average number of all employees	324		334		335
	Number of employees at end of year	323		334		335
	Average GS grade and salary	8.4	$6,392	8.5	$6,454	8.5	$6,463
01	Personal services:						
	Permanent positions		$2,148,711		$2,204,670		$2,210,297
	Positions other than permanent		3,957		5,000		5,000
	Other personal services		8,551		14,642		14,727
	Total personal services		2,161,219		2,224,312		2,230,024
02	Travel		108,797		120,259		121,259
03	Transportation of things		956		3,150		2,150
04	Communication services		34,580		33,700		33,550
05	Rents and utility services		1,277		1,200		1,200
06	Printing and reproduction		73,446		75,111		72,911
07	Other contractual services		10,286		9,450		8,738
	Services performed by other agencies		29,951		24,625		24,125
08	Supplies and materials		20,051		20,312		18,962
09	Equipment		14,074		6,231		5,431
11	Grants, subsidies, and contributions				140,660		140,660
13	Refunds, awards, and indemnities		593		400		400
15	Taxes and assessments		1,303		1,250		1,250
	Total obligations		2,456,533		2,660,660		2,660,660

Mr. WHITTEN. Gentlemen, the meeting will come to order.

We turn to the Office of the Secretary. In that connection, we would like pages 342 through 344, and 347 through 364 of the justifications inserted in the record at this point.

(The material referred to follows:)

Office of the Secretary

PURPOSE STATEMENT

The Secretary of Agriculture, assisted by the Under Secretary, the Assistant Secretaries, and members of their immediate staff, directs and coordinates the work of the Department; formulates and develops policy; maintains relationships with agricultural organizations and others in the development of farm programs; and maintains liaison with the Office of the President and with Members of Congress on all matters pertaining to legislation and policy to insure effective performance of the agricultural programs.

The office also conducts the following activities:

Personnel administration and service is carried on by the Office of Personnel, the staff agency of the Secretary with responsibility for the personnel management program of the Department. Departmentwide leadership, supervision, and coordination are provided in employee performance and development, position classification, salary administration, classification specifications, employment, recruitment, placement, examination, separation, retirement, leave, personnel management, personnel investigations, employee health, awards programs, manpower utilization, personnel and records security, and employee safety. The office delegates substantial authority to Department agencies for the operational phases of the appointment, classification, and disciplinary activities to enable completion of personnel actions with a minimum of review and maximum economy in operations, and conducts a systematic review to insure unification of the personnel management program and to measure its effectiveness in serving agency personnel management requirements.

Budgetary and financial administration and service is carried on by the Office of Budget and Finance, the staff agency of the Secretary with responsibility for functions relating to overall administration of the budgetary, fiscal, and related affairs of the Department. It provides leadership and coordination of these activities throughout the Department, including the acquisition and distribution of funds, accounting, internal auditing, budgetary and financial reporting, organization and management phases of budget and fiscal activities, and related matters.

General operations are carried on by the Office of Plant and Operations, a staff agency of the Secretary exercising general staff management direction of the housing of the Department's activities, including technical services on design and approval of related construction projects; the leasing of commercial space and matters concerned with management of real property; procurement activities; purchasing, warehousing, utilization, and disposal of administrative and operating supplies and equipment, and related activities. The office performs administrative service functions for the Office of the Secretary and operates certain departmental services in the District of Columbia, including telephone, telegraph, reproduction, duplicating, addressing and mailing, central storage and distribution of supplies and forms, and the departmental post office.

Administrative management functions are carried out by the Office of Administrative Management, a staff agency of the Secretary responsible for departmentwide direction, leadership and coordination in the areas of management improvement, organization, administrative issuances, paperwork management, and committee management. Management analysis projects and studies are undertaken to improve administration and introduce new work performance techniques and equipment.

Regulatory hearings and decisions include the work of the Office of Hearing Examiners and of the judicial officer. The hearing examiners carry out the provisions of the Administrative Procedure Act relating to the holding of hearings (5 U. S. C. 1006, 1010). Hearings are held in connection with prescribing of new regulations and orders, and on disciplinary complaints filed by the Department, or in petitions filed by private parties asking relief from some action of the Department.

The judicial officer renders final administrative decisions in regulatory proceedings, and is responsible for preparing Agriculture Decisions, a monthly publication containing decisions in connection with all quasi-judicial functions and administrative hearings of the Department.

The Hearing Clerk Unit, which operates under the judicial officer, is responsible for receiving, filing and acknowledging the receipt of complaints, petitions, answers, briefs, arguments, and other documents filed with the Department of Agriculture in connection with quasi-judicial and administrative proceedings under various regulatory laws administered by the Department.

The National Agricultural Advisory Commission was established pursuant to Executive Order 10472, approved July 20, 1953. It reviews national agricultural policies and the administration of farm programs, and makes recommendations thereon to the Secretary of Agriculture. Composed of 18 members, not more than 9 of whom shall be members of any one political party and at least 12 of whom must be representative farmers from the several geographic sections of the United States, the Commission meets at the call of the Secretary of Agriculture at least once during each quarter of each calendar year.

On November 30, 1957, employment in the staff offices comprising the Office of the Secretary under this appropriation consisted of 319 employees, 315 of whom were in Washington and 4 in the field. In addition, there were 166 employees under the working capital fund under which certain central services are performed for other agencies on a reimbursable basis.

Appropriation:

Estimated available, 1958	$2,660,660
Budget estimate, 1959	2,660,660

Salaries and expenses

Appropriation Act, 1958, and base for 1959	$2,660,660
Budget estimate, 1959	2,660,660

Project statement

Project	1957	1958 estimated	1959 estimated
1. General administration	$530,128	$575,920	$575,920
2. Personnel administration and service	586,509	649,104	649,104
3. Budgetary and financial administration and service	576,132	624,445	624,445
4. General operations	529,628	561,346	561,346
5. Administrative management	75,070	87,275	87,275
6. Regulatory hearings and decisions	148,124	151,070	151,070
7. National Agricultural Advisory Commission	10,942	11,500	11,500
Unobligated balance	43,467		
Total appropriation or estimate	2,500,000	2,660,660	2,660,660

Status of Program

1. General Administration

The immediate Office of the Secretary with its broad responsibility for the development of national agricultural policies and the general management of the Department of Agriculture coordinates the activities and provides leadership and direction to the agencies of the Department in order to achieve an efficient and effective agricultural program.

During the past year the Office of the Secretary gave special attention to various farm problems confronting the Department of Agriculture. Examples of the more important of these are the following:

Moving surpluses and expanding foreign markets.—Under general leadership of the Office of the Secretary, the Department of Agriculture in a concerted effort to increase United States farm exports is working with American agriculture and American business in creating a higher level of exports. Every effort is being made through special programs and special promotions to reach foreign customers. In the past year nearly 3 billion pounds of surplus foods were moved through the domestic and foreign donation programs. Much progress has also been made in moving farm surpluses out of storage and into use.

United States farm exports have risen to the highest level in history. For the past fiscal year the total value of farm exports exceeded $4½ billion, more than $1 billion greater than in 1956. This is the fourth successive year of increasing farm exports. Surpluses are being sold for foreign currencies to friendly nations short of dollars. These sales often open new markets which may later develop into dollar sales markets by creating a desire for United States products abroad.

The Department's efforts are directed to the promotion of American agricultural exports. This is being done through agricultural attachés working in principal countries of the world; marketing specialists on special foreign assignments; special export programs; and the pegging of United States export prices to a competitive level. Increasing emphasis is being placed on exports for dollars. Dollar sales now account for approximately two-thirds of all Commodity Credit

Corporation disposals. Furthermore, the Commodity Credit Corporation is recovering about 71 cents on the dollar from its dollar sales.

Barter was pursued as another means of simplifying problems connected with exchange difficulties. Since the beginning of this program, about $1 billion worth of United States farm surpluses has been bartered for strategic foreign materials and other national defense needs. Where it has not been possible to dispose of surpluses by either sale or barter the law authorizes donation of foods to persons both in this country and abroad. In this country foods are donated to children in school-lunch programs, to needy persons in charitable institutions and in family units, and to disaster victims. The distribution is handled through State and local agencies. After domestic needs have been met remaining foods are donated to American voluntary relief agencies for distribution to the needy in foreign countries.

Drought.—During fiscal year 1957, members of the Office of the Secretary held numerous meetings with farmers, ranchers, agricultural leaders, and workers to consider methods of dealing constructively with disasters such as floods, droughts, hurricanes, hail, tornadoes, and severe winter storms. The purpose of these meetings was to consider the safeguards that can be maintained against disasters and methods that are appropriate and effective in alleviating the effects of disasters when they occur. Both short- and long-range programs to aid farmers and ranchers were studied. Most recommendations made would modify or supplement what is already being done. To a maximum extent feasible existing programs are directed toward aiding in meeting these emergencies.

Assistance in low-income rural areas.—Through the leadership of the Secretary's Office in encouraging State and local leaders to move forward with special development assistance in low-income rural areas and the widespread information activities connected with the rural development program, nationwide attention has been focused on the problem, the needs, and the economic possibilities in such areas. Three major regional conferences were held during the year attended by personnel from more than 30 separate Government agencies, representatives of farm, business, civic, and banking organizations, and interested private citizens. At each of these meetings there was an intensive, and effective analysis of rural problems in the States concerned. Business, health, education, welfare, and other leaders gained fresh insight into their responsibilities in low income rural areas.

There was a growing interest in this work and increasing discussion of the basic needs of low-income areas for balanced farm industry and community improvement. In fiscal year 1957 this work was accelerated substantially with stepped-up educational activities through the State and county extension programs, soil surveys, and other conservation work and through increased research in cooperation with State experiment stations.

On June 30, 1956 less than 10 States had undertaken to organize pilot county programs on a systematic basis. By December 31, 1957 this number had risen to 30 States and Puerto Rico. The program is now centered in 62 counties and 9 areas (of 2 or more counties each). Almost all of these counties and areas have formed committees of local farm, business, and civic leaders to help guide rural development at the local level. In many cases, county courts or commissioners' offices have contributed personnel and administrative support to the work.

All States participating in the rural development program have held numerous State-level meetings throughout the year attended by representatives of agencies and organizations with a major contribution to make. Not only do these conferences aid in local direction of the rural development program but they also serve to acquaint a growing number of administrative and technical personnel with the problems of development in low-income farming areas.

2. Personnel administration and service

The office of personnel is the staff office of the Secretary responsible for the general direction, coordination, and administration of the Department's personnel management program. The office has broad responsibilities affecting position classification, salary administration, classification, specifications, employee performance and development, employment recruitment, placement, examination, separation, retirement, personnel management, personnel investigations, employee health, awards programs, personnel and records security, manpower utilization, and employee safety. The office delegates authority to the agencies to enable completion of personnel actions with a minimum of review and maximum economy in operations, develops and administers standards and uniform practices for all phases of personnel management, issues written instructions to agencies concern-

ing regulatory and administrative policies and procedures, and reviews personnel activities of agencies carried out under delegations of authority.

The following examples are representative of the continuing problems with which the office must deal, along with the fundamental function of planning and administering an effective personnel management program for the Department:

Recruitment and placements.—Competition with non-Federal employers for scientific and professional personnel has emphasized the comparative inadequacy of compensation paid by the Federal Government to such personnel. To place the Department in as favorable position as possible, recognition has been given to the value of obtaining increased minimum rates for shortage categories. Agencies have been assisted in developing the necessary factual information.

The office is reevaluating the field recruitment organization. There is a USDA recruitment representative for each State and Territory. In addition, various agencies of the Department have designated field employees to assist in locating and interesting well-qualified people for specific types of work. Some of the recruitment representatives are not physically located in the town where the land-grant college is situated. They all have positions normally requiring other full-time activity, and the amount of time which can be devoted to the program has necessarily been limited. In reevaluating this program, changes will be made in the designations for the purpose of using individuals who are more strategically located, who are better informed and trained in the needs of all agencies of the Department, and who are interested and can devote the time to do an effective job.

Examination program.—During calendar 1956 new qualification standards were developed for 10 types of competitive positions peculiar to the Department of Agriculture. Standards were revised or completely rewritten for 32 types of positions. These standards were included in probational examination specifications containing all background information needed for competitive civil service examinations. Where examinations were announced, rating schedules were developed to evaluate the training and experience of applicants.

Recognizing that various practices prevailed in the employment of cooperative agents among the agencies of the Department, a survey was made of the problem in one of the agencies. As a result, factors were established which provided the basis for more effectively identifying cooperative employees as distinguished from Federal employees or cooperator employees. As a result, a number of employees were dropped from Federal rolls since they were determined to be employees of the cooperator. Studies will be made in other agencies employing cooperative agents with a view toward achieving similar results.

During the past year there was increased activity of the boards of United States civil service examiners for the Department of Agriculture. This work includes issuance of examination announcement, rating of papers, and maintenance of registers of eligibles. A total of 27 examination announcements were issued and over 22,300 applications were received and rated during calendar year 1956. It is expected that the workload of the USDA boards will increase during the coming year.

Much time and effort have been devoted to the detailed study, analysis and report of practices and procedures involved in the employment of experts, consultants and W. O. C. personnel during the past 3 years. Amendments to the regulations, procedures and policies concerned therewith have been made to assure uniform interpretations and practices throughout the Department.

Investigations, disciplinary actions, and suitability determinations.—During fiscal year 1957, this Office conducted 134 investigations of various types involving employees in fiscal irregularities, misuse of Government vehicles, intoxication on duty, and other types of misconduct.

The Office also handled 723 disciplinary cases of which 290 resulted in letters of reprimand, 91 in suspensions, 116 in removals after preferment of charges and other types of terminations, 82 resignations of employees not in good standing, and 144 in which no disciplinary action was found to be warranted.

Increased emphasis was placed upon the review, prior to appointment, of previous investigative files relating to applicants, and upon rigid enforcement of Department policy of selection of only those persons suitable for Federal employment.

Employee safety.—The safety regulations of the Department are being studied and revised by a committee of agency safety officers working with the Office of Personnel. This project, nearing completion, should improve the Department's safety program. Accident reporting, in particular, will be made more uniform throughout the Department.

Classification standards.—The Department cooperated with the Civil Service Commission in the development of classification standards projects covering 33 series. Studies involved (*a*) occupational reviews resulting in the clarification of existing definitions of occupational groups and series, (*b*) the preparation or review of drafts of new or revised series definitions and (*c*) participation in the actual development of standards and the review of drafts of tentative standards prepared by the Civil Service Commission.

Department agencies were furnished leadership in planning, advice and the necessary followup required in the development of standards for positions peculiar to the Department. This included the forestry series, commodity and grading series, a number of biological series, food inspection series, soil science series, and soil conservation series.

Simplified standards and more rapid review planned by the Civil Service Commission should accelerate the standards program during fiscal years 1958–59. This will provide the Department with the opportunity to update more standards than were possible under prior scheduling and which need revising to reflect current work situations.

Salary and wage administration.—In accordance with the Presidential directive of June 7, 1956, to coordinate and improve wage administration programs, the Review Wage Board of the Department was reconstituted and interagency wage boards were established, each with a divisional staff member as chairman. There were 19 active wage boards at the end of the fiscal year, besides the Review Wage Board.

A major activity was coordination, on both an intradepartmental and an interdepartmental basis, of wage rates at locations where there were employees under the jurisdiction of two or more agency or departmental boards. Plans for reviewing rates to achieve closer coordination at 133 of these locations have been completed, and a greater effort to improve rate coordination will be undertaken during fiscal years 1958 and 1959. Substantial staff time will continue to be spent on legislative analysis and study group participation in pay problems related to the scientist and engineer shortages, as well as proposals generally affecting the present pay plan under the Classification Act of 1949.

Employee health.—During 1957 a total of 23,596 calls for service were made at the health rooms in the Washington metropolitan area; 1,170 patients were seen by the medical officer; 142 preemployment, disability retirement and other physical examinations were performed.

Diabetes detection and chest X-ray services were provided for employees of the Department in cooperation with the Public Health Service. Also, the facilities of the American Red Cross bloodmobile unit were used to secure blood donations in the Department.

Reading improvement program.—A reading improvement program was planned, organized, and put into operation during fiscal year 1957. It is financed through the working capital fund with each agency paying in proportion to its use. Normal capacity of the program is 392 trainees per year. Trainees are selected by the agencies in which they work from among administrative and professional workers who have especially heavy reading loads. It is expected that systematic training and practice will increase reading efficiency by 25 percent.

Training in administrative management.—This program is sponsored by the Department's Management Improvement committee and leadership is provided primarily by this Office. Two field institutes for developing local leaders are to be conducted during fiscal year 1958. These leaders, when trained, will direct the organizing and conducting of local workshops for training field officials in improving management practices. The program is a practical and economical way for achieving better skills and practices for improving management operations.

Interchange of personnel with States.—Special attention will continue to be given to encouraging and facilitating the use of authority for the interchange of officials between the Department and State and local governments. Regulations were distributed to all Department agencies and to 75 colleges and State universities. Some colleges and State universities are now working on necessary State regulations to effectuate exchange of employees. Several interchanges of employees are under negotiation.

Improvement of supervision.—New and revised material was developed to incorporate in Guide Posts for Supervisors, the basic manual through which the Office guides, stimulates, and coordinates the Department's supervisory development program.

A career development plan and a guide for line supervisors in planning and executing supervisory and nonsupervisory training was issued.

Personnel incentive programs.—The awards program made significant progress. The Department's Employee Awards Committee approved nearly twice as many cash awards in excess of $300 than during any previous period under the new law (title 3, Public Law 763, Government Employees' Incentive Awards Act). Participation by agencies in the honor awards program continued to increase.

During the fiscal year 1957, 2,141 cash awards were granted, an increase over fiscal year 1956 of 53 percent and $258,035 was paid for awards, an increase of 60 percent and a net first-year dollar benefit to the Government of $1,295,341 was estimated, an increase of 95 percent.

Twenty-one field reviews and appraisals of agency personnel program activities were completed of departmental field offices exercising delegated personnel authority. This program is being reevaluated to incorporate regulatory features which have not been checked heretofore. and to insure that the Director of Personnel is obtaining essential information on the character and quality of personnel administration in the agencies of the Department. An extensive review of the manner of delegating personnel authority was made. Revised procedures convey redelegation authority to agency heads rather than to named individuals who have exercised the authority heretofore.

The Office participates in the development and execution of operating plans for the Department's management program, develops materials to encourage and maintain employee interest in management improvements, and arranges for the investigation of employee suggestions which require action at the departmental or higher level; 83 suggestions were handled during the year.

Departmental personnel forms have been studied for possible standardization in the Department.—Preemployment inquiry forms and letter of authority appointment forms for short-term emergency appointments have thus far been evaluated. A more intensive study is planned, with agency representatives participating, to establish a departmental position with respect to obtaining Civil Service Commission approval for the deviations from the standards S–812 procedures. The Department has several agencies, notably the Agricultural Research Service, whose operations deviate significantly from the type of organization and procedure envisioned by the drafts of the CSC S–812 manual.

More emphasis was placed on manpower utilization due to shortages of prospective employees in certain categories and an increased effort to restrict the growth or reduce the total number of Federal employees. The Office continues to stress the importance of employee utilization as a management technique and has rendered staff assistance to the agencies in the initiating of manpower utilization surveys.

3. Budgetary and financial administration and service

The Office of Budget and Finance is responsible for departmentwide coordination of the budgetary and financial aspects of Department programs and activities, including the acquisition, distribution and control of funds; accounting; internal auditing, including program investigation; budgetary, financial, and legislative reporting; and the organization and management of these and related activities throughout the Department.

Among the developments and improvements in the field of budgetary administration requiring action by the Office in the past year were the following:

(*a*) *Improved appropriation structure and apportionment procedure.*—After an extensive review of the appropriation structure of the Forest Service, the number of mainhead appropriations was reduced from 3 to 1 and subappropriations from 4 to 3. The new appropriation structure results in closer synchronization of budget and accounting classifications and organization structure, simplifies program administration and fiscal procedures, and facilitates review of budget estimates by the Department, the Budget Bureau, and Congress.

(*b*) *Simplified procedure established for payment of claims and obligations under lapsed appropriations.*—Procedures were developed for implementing within the Department the provisions of Public Law 84–798 which require (1) establishing a single account under each appropriation or fund for controlling amounts available for liquidation of obligations chargeable to lapsed appropriations for the same general purpose, and (2) payment of vouchers for lapsed appropriations by the agency concerned rather than by the General Accounting Office.

(*c*) *Special procedure developed to finance soil bank program during fiscal year 1957.*—For fiscal year 1957, Congress provided that the soil bank program should be financed with Commodity Credit Corporation funds. In cooperation with the Treasury Department a separate soil bank account was established, soil bank expenditures were reflected separately from other CCC expenditures in Treasury

Department records, and agencies using operating funds advanced by CCC made payments in the same manner that payments are made under regular appropriations while payments to farmers were made through CCC disbursing facilities.

In budgetary and financial reporting a great variety of special projects was handled during the past year. Much of this work involves the compilation of special reports to meet Department needs and to provide information in response to requests from Congress, various public and private organizations, and the general public. There are also a number of recurring agency reports which receive departmental review and clearance before submission to the Budget Bureau, Treasury Department, and other agencies. The improvement of agency reporting systems and the development of improved reporting procedures and techniques also constitute one of the important responsibilities in this area, including liaison with agencies outside the Department on such matters.

Some of the more important activities during the past year were:

(*a*) Assembly and preparation of a 50-page pamphlet presenting in narrative and summary form financial and related program data on activities of the Department. This pamphlet was reproduced and in used is responding to many inquiries on the Department's programs.

(*b*) Continuation of severe drought conditions during 1957 created a need for frequent reviews of the Department's activities in this area, resulting in the development and preparation of a number of special reports disclosing the scope and size of the Department's efforts to alleviate the effects of such disasters.

(*c*) Participation in a review of central reporting requirements with representatives of the Budget Bureau, Treasury, and General Accounting Office, as a part of the joint program for the improvement of accounting.

Seven hundred and fifty-four legislative reports were prepared or reviewed for budgetary and related administrative and program implications, revised when necessary, and cleared with the appropriate agencies (compared with 571 for 1956 and 678 for 1955).

The Office continued to furnish leadership and technical assistance in the development and revision of agencies' accounting systems to conform to Department policies, the accounting principles and standards prescribed by the Comptroller General, the objectives of the joint program to improve accounting in the Federal Government, and the requirements of the Budget and Accounting Procedures Act of 1950. Examples of the more significant accomplishments in accounting systems work during the year and work plans for the immediate future are:

(*a*) A revised accounting system has been developed and was installed as of July 1, 1957, for the working capital fund, Agricultural Research Center, Beltsville, Md. Improvements include a reduction in the number of cost centers and simplifications for accumulating costs and rates. The revised accounting system manual will be submitted to the Comptroller General for approval in 1958.

(*b*) Time and workload studies in the Agricultural Research Service resulted in revising the method of distributing overhead costs, which will provide better accounting support for budget activities and financial projects. Continuing studies are planned during the next fiscal year.

(*c*) In addition to installing a revised accounting system, arrangements were made to finance the reimbursable photographic reproduction facility of the library through the working capital fund of the Office of the Secretary. This latter arrangement will facilitate accounting for reimbursable activities. An accounting manual, including the system for the working capital fund, will be completed and submitted to the Comptroller General in 1958.

(*d*) The revised accounting system for the Rural Electrification Administration and a manual covering the accounting and financial reporting system for the Commodity Exchange Authority have been submitted to the Comptroller General.

(*e*) Further revisions were made in the accounting system of the Commodity Stabilization Service and work is under way on an accounting manual to be submitted to the Comptroller General for his approval.

(*f*) A comprehensive survey of financial practices and accounting procedures was started in Farmers' Home Administration.

(*g*) The Forest Service was assisted in developing an accrual accounting system for the various services to be financed under a working capital fund authorized by Public Law 979 approved August 3, 1956. The system includes cost accounting for these services to show the financial condition of the fund and the results of operation of the various services, and provides for necessary reports to meet the needs of management at all organizational levels.

The Department administrative regulations were completely revised to set forth the fiscal policies, standards, responsibilities and procedures in the Depart-

ment on matters dealing with disbursements, collections, claims, property, travel and other fiscal operations. Special attention was given to increasing efficiency and economy of operations as well as financial control over nonexpendable and real property, and to bring the Department's regulations in line with modern accounting concepts.

Agencies were assisted in the development of plans for implementing the program for improvement of financial management within the Department as required under Public Law 863, 84th Congress, and Bureau of the Budget Circular No. 57–5. These plans covered the establishment and maintenance of accounting systems on an accrual basis. All agencies, except 4, will report on an accrual accounting basis as of June 30, 1957; the other 4 will report on such basis as of June 30, 1958.

To facilitate the disposition of cash collections, arrangements were made with the Treasury Department whereby bank drafts could be used in lieu of postal money orders when it is not practical to arrange for local depositary facilities. Such drafts would be obtained only from banks whose deposits are insured by the Federal Deposit Insurance Corporation. This method of handling collections avoids the purchase of a number of money orders where the collection is $100 or more.

A survey of property accounting practices was conducted throughout the Department by the General Services Administration and the General Accounting Office. The final reports of findings and the objectives of the recommendations have been agreed to by the Department.

Through special studies and training programs, improvements were made in the operations of the unemployment compensation program within the Department, resulting in more prompt and accurate reporting.

One of the major problems in developing accounting systems is the need to develop appropriate methods for distributing expenses for administrative services to several appropriations, funds, and budget activities. In an effort to meet this problem, approval was obtained for the use of a disbursing account on a trial basis in one agency. All expenses will be initially paid from this account, and distribution will be made subsequently to the proper appropriation or fund on the basis of expenses incurred.

In the areas of internal audit and program investigation, many projects were handled, most of which were aimed at strengthening these services in the agencies and making them more effective management tools. Much of this work involved assisting agency auditors in developing policy statements, audit programs and procedures, and other related matters. It also involved working with agency officials on organization and staffing of internal audit units. Two agencies instituted organizational realinements which provided greater independence and more complete coverage of agency activities, and a third agency established internal audit. Two other agencies were assisted in developing plans to strengthen examination activities by the addition of qualified investigators to their internal audit staffs. Most of the activities of the Department are now covered by internal audit. A study is being made to determine the need for extending internal audit to areas and programs not presently covered.

Extensive work has been done on regulations which will set forth departmental policies, principles, and guidelines for the organization and conduct of internal audit and program investigation activities. It is planned that these regulations will be completed and released during 1958. It is also planned to complete and release regulations on the handling of investigations involving fiscal improprieties. Significant agency internal audit and investigation findings are reported currently to the Secretary's Office for information and any action necessary at the Department level.

4. General operations

The Office of Plant and Operations is responsible for the general direction, coordination and guidance of all phases of departmentwide programs in the fields of space, real estate, supply and property management, and provides administrative services for the overall Office of the Secretary and departmental service operations in the District of Columbia.

Real property management services.—The most significant developments in the real-estate management program of the Department during the past year were the renewal of building construction activity to provide for vitally needed research facilities and the improvement in quality of space, both leased and federally owned.

In construction activities the policy is to make maximum utilization of contract architect-engineers rather than develop a design and construction staff in the

Department to handle major projects. Architect-engineer contracts were let to develop plans and specifications for the Animal Disease Research Laboratory at Ames, Iowa; Fruit and Vegetable Products Research Laboratory at Winter Haven, Fla.; National Seed Storage Laboratory at Fort Collins, Colo.; and the Horticultural and Soils Research Laboratory at Weslaco, Tex. Plans and specifications were completed and construction contracts were let on the laboratories at Winter Haven, Fort Collins, and Weslaco, and arrangements were made for the supervision of the construction by the architect-engineers at both Winter Haven and Fort Collins. Arrangements were also made with General Services Administration regional office to supervise the project at Weslaco, Tex.

To check the effectiveness of the architect-engineer contract procedure, plans and specifications for the construction of a brooder house and a boiler plant reconversion at Beltsville, Md., were prepared by the General Services Administration. Construction contracts were let by the Department and arrangements made for supervision of construction to be handled by the Department.

Other minor construction alterations, repairs and improvements were handled by the construction staffs of Department agencies. Included in this category were the Forest Service dwelling construction program and the design in this office of an addition to the Department laboratories at Orlando, Fla., and at Coconut Grove, Fla.

Principal physical improvements in Washington, D. C., by the General Services Administration, with which the Office cooperated in an advisory capacity, were the installation of fluorescent lights on the entire sixth and basement floors, South Building, the installation of a bank of automatically operated elevators in the fourth wing of the South Building, and the letting of an architect-engineer contract for the entire design and a construction contract for the initial stage of a planned three-step construction program for the complete air conditioning of the permanent Agriculture buildings in Washington.,

Other important developments in Washington by GSA include the completion of the reconversion of 13,700 square feet of former laboratory space in the east wing of the Administration Building, and the continued renovation of the Auditors Building which provided approximately 30,000 additional square feet of office space for the Department this year. The Department's program of upgrading leased space was exemplified by space improvements in the consolidated offices in Alexandria, La., and Jackson, Miss., and by contracts in the process for further improvement in the consolidated offices at Indianapolis, Ind., Huron, S. Dak., Columbia, S. C., Portland, Oreg., East Lansing, Mich., and Casper, Wyo.

Expansion of field activities caused many difficult space problems. This office was successful in obtaining additional space in many locations to avoid possible deconsolidation of several State offices. However, sufficient space could not be found in many small towns with a result that a number of county offices were deconsolidated.

Hopes for the solution of the field space problems generally in Government through the lease-purchase program received a setback when it became evident that it was not possible to obtain construction on this basis under plans for financing as originally contemplated. The General Services Administration and the Department of Agriculture continued to explore the needs for space in many localities in the hope that more attractive arrangements would make this program successful in the future. The Department has developed and provided the General Services Administration with details on space needs for 77 cities during this past fiscal year.

Real property reviews and disposals continued to be emphasized and 15 properties costing $188,637 were reported excess to the needs of the Department; 425 properties costing $1,031,176 were disposed of under the delegation of authority by the Department during the fiscal year.

The Office continued to assist Department agencies to develop a long-range program of construction needs within. In cooperation with the Office of Budget and Finance, Department guidelines for real property accountability were established.

The Department's real property holdings as of June 30, 1956 totaled 188,383,612.9 acres of land, the cost of land and improvements is approximately $730,200. The Department also occupied 1,532,140 square feet of space in the District of Columbia and approximately 15,400,000 square feet of space in the field as of June 30, 1957.

Procurement and personal property management services. The Office continued to cooperate closely with the Small Business Administration, to assure that small business concerns obtain a fair share of the Department's procurements through contract awards. A staff member represented the Department on an SBA inter-

departmental task force established to assist in the definition of small-business size standards. This task force has been continued to consider other board policy questions. The Office also actively participated in a number of small-business opportunity meetings with businessmen sponsored by the Small Business Administration to acquaint small-business concerns with how they may sell to the Government. In this connection, the pamphlet, Selling to USDA was well received by businessmen in attendance at these meetings.

The Office is working with the General Services Administration task force established to implement the recommendation of the Cabinet Committee on Small Business and the President's directive thereon with respect to a comprehensive review of procurement policies and procedures of all departments and agencies, with a view to facilitating and extending the participation of small business in Government contracts. Staff members served on six task force study groups in such areas as development and simplification of supply and construction contract forms; development of uniform provisions for using brand name or equal techniques; and codification of Federal procurement policies and procedures.

A comprehensive field pilot study of the acquisition, storage and distribution of supplies and printed forms was made in the State of Georgia. The primary objective of the study (to be continued in other areas of fiscal year 1958) is to gather and assemble facts on existing supply practices of the various agencies for analysis, evaluation, and determination of what, if any, alternative procedures for supplying field offices would be more responsive to program needs and be more efficient and economical.

In cooperation with agency staff members the Office continued to coordinate the many supply activities of the Department to effect further improvement of supply management techniques. This includes on a continuing basis (*a*) studies of agency supply patterns to determine adequacy of management and of Department supply systems, (*b*) inspection of field offices to determine effectiveness of supply operations (18 offices were inspected during the year), and (*c*) improvements in procurement and contracting policies and procedures through revision and implementation of the administrative regulations. A staff member participated in the Forest Service procurement officers' training conference held in San Francisco.

The Office continued to aid agencies in their contracting work including (*a*) the development of specifications for unusual or complex contracts, (*b*) the development or review of 121 contracts negotiated pursuant to the Research and Marketing Act, and (*c*) the development and issuance of policies and procedures for negotiated contracts for research and marketing service work and the establistment of a uniform contract format and standard provisions for use in such contracts. A total of 50 advertised contracts were awarded for those agencies not having contracting authority.

A member of the staff worked in connection with the President's Committee on Government Contracts to improve and make more effective the enforcement of the nondiscrimination provisions of Government contracts. The Office coordinated special compliance reviews of 18 major contractors in large metropolitan areas, conducted by agencies of the Department at the request of the Committee in order to provide data for measuring and evaluating the program's effectiveness.

In the area of Federal specifications and standards, cooperation was continued with the General Services Administration. There were submitted to the agencies for review 558 proposed, or revisions of, Federal specifications; 17 proposed Federal standards and 9 other special assignments; 18 proposed commercial standards and simplified practice recommendations, submitted by the Department of Commerce, were referred to appropriate agencies for review and comments.

Policies and methods affecting property control, utilization, and disposition were improved through a major revision of the administrative regulations. The office continued to collaborate with agency staff members on specific and general property problems including (*a*) conversion of record controls to electric accounting machine and composite-type card systems, (*b*) development of procedures and forms, (*c*) utilization and upgrading of equipment, (*d*) disposal of foreign excess property, and (*e*) reports of utilization and disposal of excess and surplus property.

Increased emphasis was given to departmentwide coordination and guidance in the field of motor vehicle management. This activity included: (1) The development and issuance of administrative regulations on management and use of motor vehicles and establishment and operation of interagency motor vehicle pools and systems, (2) a major revision of the vehicle operation and utilization record booklet, AD–187, to provide more efficient mediums for recording necessary infor-

mation for reporting and other management use, (3) review of agency vehicle-replacement programs to determine compliance with approved replacement standards, and (4) coordination of agency reviews and studies in connection with determinations by the General Services Administration to establish interagency motor pools and systems.

Uniform operating procedures were developed for use by the three area agricultural equipment committees. The committees in the field and this office in Washington assisted in redistribution and disposal of excess property having an acquisition cost of $2,637,284, of which $186,740 was redistributed within the Department for further use.

Service Operations.—Additional printing and bindery equipment was acquired during 1957, as authorized by the Joint Committee on Printing, in continuation of the Department's policy of effecting reproduction economies and increasing output through modernization of the facilities of the central printing plant.

Department agencies were encouraged to have their management specialists and other key employees visit the Department's central reproduction plant to become acquainted with the reproduction, bindery, and mailing facilities available there. Singly or in small groups, editors, program writers, management specialists, secretarial and clerical help, and other agency personnel closely concerned with some phase of the ultimate printed product were shown through the plant from time to time. By observing the operations at close range and having the opportunity to ask questions they obtained better understanding of the problems in producing a printed document from rough manuscript. During these tours special emphasis was given to the need for careful advance planning and orderly laying out of the work.

The program of employee in-service training, inaugurated in 1956, was widened in scope and pushed actively in 1957 to assist in providing qualified help to operate the modern equipment.

5. Administrative management

To strengthen and intensify management improvement efforts in the Department, the Secretary established the Office of Administrative Management on January 7, 1957. Assigned to the new office were certain management functions formerly carried on by the Office of Budget and Finance, Office of Personnel, and Office of Plant and Operations. Personnel, funds, and property were also transferred from these offices to provide staff and resources for the work.

Through June 30, 1957, the office engaged in the following activities:

(*a*) *Management Improvement Committee.*—To facilitate sound management improvement activities in the Department, a Management Improvement Committee has been established. The Committee includes the heads of Department staff offices and Assistant Administrators for Management in operating agencies. The Administrative Assistant Secretary is Chairman of the Committee, and staff services are provided by the Office of Administrative Management. Two meetings were held during 1957. The Committee endorsed a program for training in administrative management for field employees. Two workshops will be conducted during fiscal year 1958 at selected field locations. The Committee also endorsed a project to bring about more integration of administrative facilities at field points where several USDA agencies have quarters in close proximity. Plans are progressing for pilot studies at selected field points.

(*b*) *Organization.*—Proposed organization changes in the Department are reviewed before approval is given to organization charts which prescribe functional assignments. This involves consultation with agency personnel and Department officials. During fiscal year 1957 a total of 57 charts were analyzed and approved.

(*c*) *Administrative issuances.*—In this area attention is directed to systematic procedures and standards for issuance of departmental and agency policies and instructions.

(*d*) *Paperwork management.*—Secretary's memorandum No. 1414, and supplements 1 and 2, were issued to encourage personnel of the Department to adopt a commonsense approach to paperwork management. This series of memorandums sets forth policy and guidance which should produce beneficial results in widespread areas of work involving forms, correspondence, and reports.

The Department's publication on Records Disposition was revised during the year and provides an up-to-date manual for removal of out-of-date material from current files. Through these procedures economies are realized in space utilization, filing cabinet purchases, and clerical time required in records work.

The following constitutes the highlights of the annual statistical summary of records holdings as of June 30, 1957:

[Cubic feet of records]

	Washington, D. C.	Field	Total
On hand July 1, 1956	142,248	735,379	877,627
Disposals during the fiscal year	15,337	85,972	101,309
Transferrals to other agencies during the fiscal year	3,531	13,673	17,204
On hand June 30, 1957	144,060	750,074	894,134

In the Department of Agriculture, only 9.98 percent of the records were considered to be permanent as of June 30, 1957.

In one agency, cited as an example, the applicable records control schedules resulted in the release and surplus disposition of 206 upright filing cabinets, 150 horizontal filing sections, and miscellaneous equipment having a total value of approximately $13,500.

(*e*) *Committee management.*—Administrative regulations were issued establishing policies to guide and control the use of advisory and other committees which assist in planning and coordinating Department programs. The membership and functions of USDA committees have been documented and reported to Congressional committees.

(*f*) *Progress on projects.*—Specific areas to which staff attention has been directed include:

(1) The Farmer Cooperative Services was assisted in the development of a uniform filing system and training of personnel.

(2) At the request of the Federal Extension Service, and in cooperation with the Kentucky State Extension Service, a uniform filing system was developed for county offices. Pilot installations were made in four counties. This project may be extended to other States by the Federal Extension Service.

(3) In collaboration with the General Services Administration, the Farmers Home Administration was assisted in improving records management practices.

(4) The Federal Crop Insurance Corporation was assisted in the establishment of a uniform filing system for State offices.

(5) Reviews were made of records management practices in 46 field offices located in 11 cities. Through these reviews, tests are made of adherence to regulations and recommendations submitted for improved practices where applicable.

(6) Arrangements were made for GSA-conducted courses in correspondence improvement. Agency heads and other officials of the Foreign Agricultural Service and the Farmers' Home Administration attended these training sessions, which were then extended to other personnel in both agencies. Through facilities of the Office of Administrative Management, courses in correspondence management will be extended to other agencies of the Department.

6. Regulatory Hearings and Decisions

This activity includes the work of the Office of Hearing Examiners and the functions of the judicial officer and his staff. The Office of Hearing Examiners holds hearings, makes reports, recommends decisions and performs such related duties as may be required by the Administrative Procedure Act and the statutory provisions, regulations, and rules of practice applicable to matters under their jurisdiction. A comparison of the number of hearings held by the hearing examiners under the various acts since 1951 is shown in the following table:

Laws involved	1951	1952	1953	1954	1955	1956	1957
Agricultural Marketing Agreement Act	64	69	63	103	68	65	78
Commodity Exchange Act	1	1	4	10	4	1	12
Packers and Stockyards Act	12	36	5	7	4	9	12
Perishable Agricultural Commodities Act	2	5	1	3	5	7	5
Sugar Act	2	2	2	4	7	8	11
Market inspection of farm products	------	1	1	------	6	2	------
Federal meat grading	------	------	------	------	------	1	------
Antihog cholera	------	------	------	------	------	------	3
Total	81	114	76	127	94	93	121

Most hearings are formal rulemaking proceedings which are mandatory under the Agricultural Marketing Agreement Act of 1937, the Sugar Act of 1948 and the Packers and Stockyards Act. These hearings must be held to enable the issuing authority to promulgate, under those acts, rules or amendments thereto that are currently responsive to existing economic conditions. Hearings are also required under the Agricultural Marketing Agreement Act of 1937 on petitions filed by handlers seeking to be relieved from obligations imposed upon them by rules or orders promulgated under that act. Other hearings are required by statute to be held under a number of regulatory acts that are disciplinary in nature. They originate with complaints filed by the Department and usually involve such problems as suspension or revocation of licenses or rights to do business. To best serve the agricultural interests involved, practically all the hearings are held in or near the place where the parties reside or the commodity involved is produced or marketed.

The judicial officer renders final administrative decisions in regulatory proceedings of a judicial or quasi-judicial nature. A comparison of the number of decisions and orders issued under the various acts since 1951 is as follows:

	1951	1952	1953	1954	1955	1956	1957
Agricultural Marketing Agreement Act	17	21	42	17	11	22	27
Commodity Exchange Act	11	7	1	12	11	7	9
Grain Standards Act			2	1	1	5	
Packers and Stockyards Act	85	93	127	80	79	72	93
Perishable Agricultural Commodities Act	261	235	246	308	249	317	237
Warehouse Act	2						
Anti-Hog Cholera	1						1
Totals	377	356	418	418	351	423	367

For repeated or flagrant violations of the Perishable Agricultural Commodities Act licenses of 9 produce dealers were revoked, the license of 1 dealer suspended for 90 days, and the license of 1 dealer suspended for 60 days. Under the Packers and Stockyards Act the registrations of 20 dealers or market agencies were suspended for varying periods because of violations of that act. The following cases represent actions taken on proceedings under several of the agricultural acts.

Under the Packers and Stockyards Act, the Department's complaint against the *San Jose Meat Co.* (15 A. D. 1111), was dismissed after a hearing examiner's report recommended that the respondent be found to have violated the act. The case involved a packer's refusal to pay for some cows purchased at the San Francisco stockyard for slaughter and which were condemned on post-mortem inspection because of anaplasmosis. The controversy involved was one which was deemed best settled by action in the courts of California. In another case under this act, *In re Frank A. Berigan et al.*, a cease and desist order was entered against dealers and a market agency at the Omaha, Nebr., stockyard for engaging in a "turn" system for the purchase of feeder cattle which discriminated against nondealer purchasers. The case is now on appeal to the United States Court of Appeals for the Eighth Circuit.

Under the Agricultural Marketing Agreement Act, 3 petitions for interim relief were denied, 3 applications by the Department to dismiss petitions were denied, and 1 application was denied in part and granted in part. Under that act, provisions of the Tulsa milk order requiring handlers to make payments to cooperative associations for milk delivered by the cooperative's members was ruled valid, *In re Beatrice Foods Co. et al.* (15 A. D. 67), and was upheld on February 2, 1957, by the United States District Court for the Northern District of Oklahoma. In another case under that act, *In re Hawk Dairies et al.* (15 A. D. 1193), provisions of the Oklahoma City milk order requiring Tulsa handlers to pay the excess of the Oklahoma City order prices over the Tulsa order prices was held invalid for lack of evidence in the promulgation proceeding for the Oklahoma City order. For the first time in the last few years, there were cases under that act pertaining to orders regulating the marketing of commodities other than milk. *In re Lo Bue Bros.* (15 A. D. 1285), concerned alleged discrimination against the Central California prorate district in the regulation of the marketing of navel oranges by the Department marketing order, which was found not to exist, and *In re Continental Nut Co. et al.* (16 A. D. 95), involved alleged invalidities in the final setting by the Secretary of the salable and surplus percentages of almonds of the 1954–55 crop under the Department's marketing order. For the first time in some years there was a proceeding under the act providing for a marketing agreement and order for the regulation of the marketing of hog-cholera virus and

anti-hog-cholera serum, *In re Rea Serum Co.* (15 A. D. 1005). This proceeding challenged an order provision requiring each handler to have available on May 1 of each year serum equal to not less than 40 percent of his previous year's sales. The requirement was upheld.

Under the Commodity Exchange Act, an exhaustive proceeding was concluded, *G. H. Miller and Co. et al.* (15 A. D. 1015), in which a number of persons were found to have collaborated in cornering the market on storage eggs on the Chicago Mercantile Exchange and sanctions were ordered. The case is on appeal to the United States Court of Appeals for the Seventh Circuit. Also in another interesting case under that act, *In re Continental Grain Co.* (16 A. D. 194), involving alleged manipulations of wheat prices on the Kansas City Board of Trade, a motion to reopen the proceeding for the receipt of rebuttal evidence by the complainant was granted where the hearing examiner had refused to grant time for the preparation of such evidence.

Mr. WHITTEN. Mr. ROBERTS, we will be glad to have your general statement.

GENERAL STATEMENT OF ADMINISTRATIVE ASSISTANT SECRETARY OF AGRICULTURE

Mr. ROBERTS. Mr. Chairman, I have no formal statement. The budget estimate for 1959 for the Office of the Secretary is $2,660,660, the same amount as is provided in the current fiscal year for the immediate Office of the Secretary; for the Office of Personnel, which handles the Departmental work in personnel administration; for the Office of Budget and Finance—work you are fully acquainted with, I am sure—for General Operations that include the handling of files, space, vehicles, purchasing, and the whole field of property administration; for our Office of Administrative Management, a small office of about nine people that we set up last year, and which we discussed with this committee at length a year ago.

This appropriation also provides funds for the Office of the Hearing Examiners, the Judicial Officer, and the hearing clerk's office. There is also a small sum of money in this appropriation for the per diem and travel expenses of the National Agricultural Advisory Commission.

TRAVEL EXPENSES OF HEARING EXAMINERS

Inasmuch as we do not have any proposed change in funds, I thought perhaps we might take this opportunity, Mr. Chairman, to discuss with you a proposed language change of considerable importance. It stems from our experience beginning last July 1 in the handling of hearings under the regulatory acts administered by the Department, and about which we had some correspondence with both this committee and with the Senate Subcommittee on Agricultural Appropriations.

A year ago, there was proposed in the budget for 1958 an increase for the Office of Hearing Examiners of about $25,000. The increase was for the purpose of providing additional help to take care of the current workload and to provide for the hearing examiners to hold hearings on appeals taken by users of the national forests from decisions made by the regional foresters.

There was also included in that sum of money some increase for travel expenses in connection with regular hearings held under the Administrative Procedure Act, and which it was necessary to have in order to hold a larger number of hearings which were anticipated for 1958.

The increase was not allowed. Presumably it was caught up in the economy move and the desire to keep appropriations at their then current levels. As we approached the beginning of this fiscal year, we found ourselves on hearings under the Administrative Procedure Act in an even more difficult position than we had thought we were going to be when we appeared before this committee last February.

When we made a survey of the hearings that might be held under the Agricultural Marketing Agreements Act, the Packers and Stockyards Act, the Perishable Commodities Act, and Commodity Exchange Authority, we found that the agencies were contemplating as many as 146 hearings this year. That was a substantial increase over what we had in 1956 when we had ninety-odd hearings. It was also a substantial increase over the number we had in 1957 when we finally came out with a total of 121 hearings.

Faced with this situation, and yet with only about $5,700 to meet the travel and per diem costs of hearing examiners, we developed a plan which we wrote to this committee about and to the Senate committee last August.

The $5,700 would have provided sufficient funds, based on the average cost of hearings this year, for about 48 hearings. We had 146 forecast. So we consulted with the General Counsel, obtained from him an opinion that it would not be in violation of the Administrative Procedure Act to have the agencies, administering programs in connection with which hearings had to be held, pay for the travel and per diem costs of the hearing examiners. The General Counsel felt we were within the purview of the Administrative Procedure Act if the hearing examiners' salaries were not paid by those agencies and if their supervision and direction, and an assignment of cases, was not in any way influenced by those agencies.

So we developed a plan for taking the funds which were in our appropriation—$5,762, I think it was—which we allocated to meet our most urgent needs for hearings early in the year, and to provide for a number of hearings under the Commodity Exchange Act. Beyond that we would then seek reimbursement for travel and per diem cost from the agencies requesting hearings.

As a result of our communications with this committee and with the Senate committee, we obtained authority to go ahead on our reimbursement plan, thus enabling us to schedule additional hearings in the current fiscal year. This was done with the understanding that we would discuss this matter at length with both committees during hearings on the 1959 budget.

The hearings we have held thus far under the Administrative Procedure Act total 64. The agencies still estimate that they will have roughly 145 hearings. Realistically and based on our experience thus far, as well as our experience last year, we think that perhaps a more likely figure this year will be about 125.

With only about 48 hearings being provided by direct appropriation, there will still need to be a substantial number financed by reimbursement. As a matter of fact, through today, we have had reimbursements totaling about $2,760 under the Administrative Procedure Act.

We have thought carefully through on this matter, and it is our recommendation, and the recommendation of the Budget Bureau that the reimbursement procedure we are following this year be continued for 1959 and beyond.

Experience indicates that these agencies are not able to forecast the number of hearings they are going to have with any degree of accuracy. Many of the hearings are based on complaints that are filed or violations that are charged, and it is not possible to tell how many of those there are going to be.

We believe that it is in the interest of good management not to ask for an increase in appropriation for these hearings, but to leave the Department in position where it can charge the agency asking for the hearing for the travel and per diem expense cost. Thus we will be in a position to meet the problem whether it involves 90 hearings in a given year or whether it involves 145. It would avoid the situation we were faced with last July and August when the agencies and outside interests were pressing us for early hearings which we could not schedule because we didn't have sufficient funds to meet the current needs and also assure that funds would be available beyond December 1 to take care of the most urgent hearings that needed to be held in the latter half of the year.

PROPOSED LANGUAGE CHANGE

Therefore, Mr. Chairman, we are proposing a language change—a sentence to be added to the present language—reading as follows, following the sum of the total appropriation:

Provided that this appropriation shall be reimbursed from applicable appropriations for travel expenses incident to the holding of hearings as required by the Administrative Procedure Act.

We have checked the need for this from a legal standpoint. The General Counsel's Office is of the opinion that we have authority to go ahead and do this provided it is clearly the intention of the committee and the Congress that we do it. But we feel that specific language would make it clear to the General Accounting Office and others who are going to make audits that it is the intention of the Congress that we handle this problem in this way as a regular and continuing procedure.

If, in the wisdom of the committee, it is decided that there need not be such language, we hope that the committee report will make clear your intention. Unless language of this kind is provided or it is made clear in the committee report that we should proceed in 1959 as we are doing in 1958, the fund carried in the appropriation itself would be wholly inadequate to take care of our needs, and we would be faced with the same problem in 1959 as we have been this year.

Mr. WHITTEN. Thank you, Mr. Roberts.

INVESTIGATION OF HANDLING OF MILK MARKETING AGREEMENTS

In that connection, we had an investigation made of the handling of the milk orders. Our purpose was to seek information on a purely factual basis.

We are printing that investigator's report in volume 1 that has been delivered to the folks in the Department that has primary responsibility in that connection.

Briefly, here, I would like to point out 3 or 4 things that struck my attention in connection with it, some of which I was familiar with,

which is the reason we asked our investigators to check on the conditions that they found.

One, there seems to be some question as to whether the present procedures give adequate opportunity to those that might object to a proposed milk order. Secondly, there is a rule whereby a cooperative can cast its total membership vote for inclusion of an area in a milk marketing order area and that a member of that cooperative, even though he is bitterly opposed to that vote being cast for him, is unable to register a vote against it.

Two or three examples are cited where representatives of the Department have sent in a certification that the milk order carried when in one instance, as I recall it, they didn't even count the votes. There are various other things in that report, one of which is to the effect that little attention is given to bringing a hearing to a close.

Now with some legal background, I have always understood that several things are incident to a fair and impartial public hearing. One of them is to provide that both the opponents have full notice as well as the proponents. Secondly, that each of the parties has his day in court. Third, that anybody interested have a right to have his vote recorded the way he wants it recorded. And fourth, that there be some provision made for the matter to come to a head.

I mention that here because I hope that the folks who come before us later will be able to present the Department's side of this and any differences that they might have with the conclusions that I think anybody who reads the investigator's report would have, and to offer any suggestion that they might have as to how to improve the situation. That would not be proper for you to present here, I don't suppose, but we should wait until those people are before us, is that right?

Mr. ROBERTS. I think there are some phases of it that we can respond to here, Mr. Chairman. Others involve the administration of the orders themselves which would be appropriately brought up when the Agricultural Marketing Service is here.

Mr. WHITTEN. You might make any comment that you would like to at this time.

Mr. ROBERTS. First of all, I want to say that one of our concerns when we developed the plan for reimbursement of costs to the hearing examiner's office this year was the fact that historically we have tried to hold these hearings in the area in which the action was to take place, so that ample opportunity is given to agriculture producers and processers to participate in those areas. The alternative was suggested that we might save travel money by holding our hearings in Washington. We rejected that idea very quickly because it would have meant that producers, individual farmers, many of whom are interested—very much interested in the outcome of these hearings—would have had to pay their travel costs to Washington, whereas some of the adversaries probably would be able to retain counsel and be adequately represented here.

So we decided that even if it meant adopting a procedure such as we now recommend be continued, it is preferable to have the hearing where the action will take place, and where there is ample notice and opportunity for everyone affected to participate in the hearing. That is only proper and in accordance with regular civil law procedure, and we feel that that ought to be done here.

So we are trying to give proper recognition to one of the points you have raised.

On the question of procedure at the hearings, and also the question of length of the hearings, we did have some difficulties a year ago on two hearings. One of them was in the New York-New Jersey area, the other in the Philadelphia area. We have not had a similar situation this year. Mr. G. Osmond Hyde, our chief hearing examiner, is here and I would like him to respond on these points as well as other points you have raised that involve the conduct of the hearings themselves.

Mr. WHITTEN. We will be glad to hear from you, Mr. Hyde.

PUBLICIZING NOTICE OF HEARINGS

Mr. HYDE. Mr. Chairman, as to the conduct of the hearing, and particularly with respect to affording adequate opportunity to those who object to a proposal to be heard, we make every effort, sir, to give an opportunity to any person present who is opposed to any of the propositions to come up and give his side of the story.

Mr. WHITTEN. Well, now, Mr. Hyde, let's analyze that a little bit.

The key word of your statement is "anybody present." Now, this investigation resulted because I had an inquiry from a man in my area who understood that they would have a hearing on a milk order. He did not know whether he was within or without the area involved.

When I called the Department, they said that they would see that the proponents let him know what they were proposing. Well, now, if a man who is opposed to something has to rely on the fellow whose position is adverse to his to give him notice, that is the wrong way to run a railroad, it looks to me like.

Now that is what the Department told me. Your statement doesn't clear that up in the least because, as I understood you, you said, "when you have your hearing, anybody present."

Mr. HYDE. That is correct.

Mr. WHITTEN. Well, now, how in the world does the public know to be present?

Mr. HYDE. The notice is given through the Federal Register, and then the Department itself advertises it through the industry. It is in the newspapers. Often it is on the radio and if it is a program to be amended, the cooperatives and the market administrator in the area make certain that the newspapers are informed throughout the entire area. If it is a new proposal, the time for the notice is 15 days, at the very least, and it is advertised during that period of time.

Meetings are held, too.

Mr. WHITTEN. Our investigator's report also says that usually you do those things. But so far as I have been able to find and so far as they were able to find, there is no requirement in your rules that any set procedure be carried on.

In other words, you require no certificate from anybody to the effect that these things have been done. You just take it for granted that they have been. But as I read the report, there is no requirement under your rules that anybody, hearing examiner or whoever it is with the Department, make any certification that there was any publicity given or that there was anything carried in the local paper or anything of the sort.

Now, if your rules don't require it, and if you just go in and just presume that all these things have been handled, in my judgment, at least, a man hasn't had his proper notice to defend himself.

Mr. HYDE. The rules do make one requirement. The rules require that a copy of the Federal Register be made a part of the record, the Federal Register in which the notice is published.

Mr. WHITTEN. That is right, but that Federal Register is a part of the record at the hearing.

Mr. HYDE. It is made a part of the record.

Mr. WHITTEN. I have one friend who practices law that has me send the Federal Register to him. Other than that one individual in my State, and he doesn't happen to be in my district, I don't know of anybody that knows a thing in the world about what is in the Federal Register.

Now, I understand that you can put it in the Federal Register. But that doesn't provide actual notice to farmers.

Mr. HYDE. The point you make, I think, is a good one, Mr. Chairman. There is no requirement in the rules with respect to making any other proof of publication a part of the record. So when I start a hearing, I have to conform with the rule as it is written. The first thing that goes in the record is my designation. The second thing that goes in is the Federal Register in which the notice of hearing is published. After that there usually is nothing more on the subject of notice.

Mr. WHITTEN. That is right. It means then that you are just presuming that everybody knew about it. As the Department told me, they just presume that the fellow who wanted the order had been fair enough to advise those that didn't want the order so that they could come in and be heard.

So far as I know, the milk marketing agreement is the best way that anybody has found to meet this fluid milk problem. I certainly know nothing to the contrary. But I do think we had better give some attention to getting some rules written so that everybody has a day in court. And as it stands now, it does not appear to be required.

Now, what can we do to change the rules where it will be apparent that everybody has his notice, everybody has his adequate opportunity to present his side, and everybody has a chance to have his vote counted on the side that favors? Now, what could we do as a committee or as a Congress to bring that about?

Mr. HYDE. There is one point I should have mentioned. Where there is an order in effect and we have a market administrator, it is usual for him to send notice to the industry in the area—written notice. It is not required by the rules, but in order to make certain these people know about it that is usually done.

Mr. WHITTEN. But he didn't have to make any certification to you that he did?

Mr. HYDE. No. None is made, sir.

Mr. ROBERTS. You may want to take this up with the AMS people when they are here, Mr. Chairman, but I assure you we will certainly look into this from the standpoint of the Department and see that there is an appropriate amendment of the rules to adequately protect people interested on this point.

Mr. WHITTEN. I think it is absolutely essential that we do. May I say here that my statement doesn't come from any knowledge of or

dissatisfaction with the eventual decision in any particular case. I am just talking about the proper way to handle a matter where everybody is bound by action taken after you have the hearing and hear those present. They are bound by it whether they had the notice or whether they had a vote or whether they had a right to cast a vote.

Mr. ROBERTS. Well, I think there is need for probably a strengthening of the rule itself and then also some provision, Mr. Hyde, to provide that the hearing examiner, before he begins the hearing, have a certification of the methods by which the agency administering the program has complied with the rule.

I think I need to meet with AMS, the General Counsel's Office and Hearing Examiner's Office and see if we can't strengthen the present rules and procedures.

LENGTH OF HEARINGS

Mr. WHITTEN. In the original report that our investigators brought in, I notice that they had not given attention to the length of the hearings. So they were asked to go back into that, and our subsequent reports to the committee on the date of February 3 carries a statement on this.

Of course, the whole matter will be called to the attention of the Department. But quoting the last paragraph on the first page, this statement is carried and I quote:

> During the staff survey, some minor comment was received concerning the length of hearing procedures and the efforts to reduce the number of hearings by writing adjusters into the orders. These adjusters will allow for automatic changes without necessitating reopening the order. For the most part, the comment concerned the period between the time the need for change became apparent and the time when the proposed change became effective. No specific comments were heard concerning the length of the formal hearings.

Now what suggestions would you have to speed up the hearings and eventually concluding them?

In other words, should you, as a Department, take some action to prevent dragging out hearings, similar to what you did in New York?

Mr. HYDE. Mr. Chairman, there has been only one like that. But the point that I think you raised here is the time that elapses between the start of the hearing and the issuance of the rule. Not necessarily the time of the hearing but the length of time after the hearing is over before the amendment is issued, if I understood you correctly.

Mr. WHITTEN. I was quoting from the report of the investigators. I don't profess to be any expert in the field, but I have seen evidence that part of the cost of hearings and of hearing examiners was the fact that it was carried on and on and on.

Mr. HYDE. Let me say a word on that. I was here a year ago, Mr. Chairman, when the New York hearing came to your attention. You indicated then steps should be taken with a view to making these hearings shorter if possible.

That was brought to the attention of all the members of the hearing examiner's staff. We are mindful of the rule that says we must give an opportunity for cross-examination sufficient to ascertain the facts.

We are also mindful of the fact that the rule does not require us to permit undue repetition. We have made every effort, since I was

here the last time, to make these hearings as short as possible. I don't now recall any hearings since then that have gone more than 7 days—most of them 2 days.

Mr. WHITTEN. I am not in shape to say that a lawsuit should be short or should be long. It seems to me, however, that where one goes on for 12 months, as it did in New York, it is well enough to look into it. May I quote here from a comment of the investigators on this:

> We have had some experience in lengthy public hearings particularly since the passage of the Administrative Procedures Act which gives the right of cross-examination to any interested party. The length of the public hearing is not within the control of the Dairy Division, but is under the direction of the presiding officer. It is our understanding that these presiding officers have not been disposed to restrict the rights of lawyers at hearings to cross-examine witnesses at length. If the cross-examination were a matter of discretion of the presiding officer, there might be some chance of reducing the length of the hearings. However, the hearings on amendments usually last only 2 or 3 days, and on new orders about 10 days. The hearing on the extension of the New York marketing area which lasted for 12 months was very much of an exception.

Again I am not trying to set the rule here. My whole purpose is to try to provide for orderly notice, orderly hearing, and eventual determination, giving all rights that should be given in the hearing, even if it takes some length of time. But there should be some standard or some general rule in my judgment, and apparently there has been very little attention given to it.

Mr. HYDE. Just one more point there. As to eventual determination, of course you understand that after the hearing is adjourned and the time for filing of briefs and proposed findings has passed on milk hearings, the responsibility for action passes from the office of hearing examiners to the administrative people. If there is then delay, it is not a matter with respect to which we have any control or for which we could give you any justification.

Mr. WHITTEN. You are not passing judgment on them, but since you are there to make your recommendation——

Mr. HYDE. We make no recommendation. We certify the record.

Mr. ROBERTS. They only certify the record.

Mr. WHITTEN. It could be a difficult decision sometime by administrative people to determine which way to go. So it could be hesitancy to act one way or the other that may be causing this rather than the delay in actually taking the record.

Mr. ROBERTS. That may well be. I am sure that in a good many cases the period after hearing examiner has certified the record and the final rule is issued, is much longer than it takes to hold the hearing. That is an area, I think, Mr. Chairman, that you may want to discuss in more detail with AMS.

Mr. WHITTEN. I will. I wish you would discuss this with the Solicitor's Office on the grounds that the Solicitor and his lawyers would have the knowledge of how to change the rules so that everybody has his due notice and everybody has his day in court, which are commonly required in court to preserve to each party his rights. It strikes me that it is badly needed in this area, if the investigators have presented us with the true facts.

Mr. ROBERTS. I will do that, Mr. Chairman.

On the question of restriction of testimony and cross-examination, Mr. Hyde, it is my understanding that the hearing examiners do try

to avoid a repetition of coverage of subject matter by cross-examination. On the other hand, you do not deny any of the parties the opportunity to bring out any facts which cross-examination would seem to be likely to develop which is new in character.

Mr. HYDE. That is correct. We try to hold them to the rule as close as we can to make sure that the cross-examination is conducted for the purpose of ascertaining the facts.

Mr. WHITTEN. Of course, my whole purpose here is to protect everybody's right and move with a degree of fairness and let the record show that all rights were protected and all fair play was given. It isn't my purpose to curtain a man's opportunity within reason. But it ought to be within reason, rather than without any rule or reason.

Mr. ROBERTS. Mr. Chairman, there is one other somewhat related matter that I would like to report back to the committee on.

FOREST SERVICE APPEAL CASES

We presented a problem regarding Forest Service appeal cases to the committee last year. Our concern on those cases was the same principle we have been talking about here, namely, providing people who feel that they have been aggrieved an opportunity for a hearing conducted by a party not of interest, and one in which the party feeling he has been aggrieved by governmental action has an equal opportunity to be heard along with the Government representative presenting his side of the case.

It was for that reason that we proposed a hearing examiner, rather than Forest Service officers themselves, or boards constituted of Service officers, hear appeals from actions taken by the Forest Service regarding the use of the national forest properties.

We have developed new procedures. They have been issued in the Federal Register. We now have four cases that have been scheduled for hearing by hearing examiners. We have every reason to believe that this new procedure will be satisfactory. It provides for an impartial hearing examiner and assures the party alleged to have been aggrieved to be heard by someone other than a Forest Service employee. In these cases, as we outlined to you last year, we will get reimbursement for all costs of conducting hearings, including not only travel cost, but the salary of the hearing examiner assigned. I wanted to bring you up to date on this development.

MAIL HANDLING PROCEDURES

Mr. WHITTEN. Mr. Roberts, proceeding further, last year we raised the question with you about mail deliveries within the Department. On February 17, you supplied me with a letter, and I will incorporate that in the record at this point as responsive to the inquiry we made.

(The letter referred to follows:)

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, February 17, 1958.

Hon. JAMIE L. WHITTEN,
Chairman, Subcommittee on Agricultural Appropriations,
House of Representatives.

DEAR CONGRESSMAN WHITTEN: During our budget hearings for fiscal year 1958, you made an inquiry regarding the procedure for distribution of mail in the

Department. Also, you were concerned about employees renting post-office boxes at personal expense to receive official mail.

On April 12, 1957, we initiated a departmentwide survey covering mail distribution and the preparation, clearance, and dispatch of replies.

Throughout this survey, including a complete check of official mail coming to the Department, we have not been able to locate a single instance where an agricultural employee is renting a post-office box at personal expense in any post office to receive official mail.

We have two situations where post-office boxes are rented at the Benjamin Franklin station for receipt of time and attendance and other payroll supporting records from field offices. The agencies involved are the Agricultural Marketing Service and the Commodity Stabilization Service. Rent on the boxes is paid by the agencies from appropriated funds.

These two agencies have central payroll offices located in Washington and handle the payrolling for employees in approximately 18 States. Their schedule for getting the payrolls to the Treasury Disbursing Office allows a minimum of time from the end of the pay period to the submission date for the payroll. For this reason, payroll data from field offices is mailed separately and is addressed directly to the designated post-office box where it is picked up by a special messenger and delivered directly to the payrolling office. As you can appreciate, the distribution of salary checks on time, and in keeping with a predetermined schedule, is an important item in employee morale. Therefore, this extra effort and expense is considered appropriate and worthwhile.

I am enclosing a copy of our memorandum of April 12, 1957, which initiated the survey and review, also, a copy of our report which includes the procedure followed, the findings and general recommendations.

After considering this report, if you find that additional information is desired on any of the points, I will be happy to provide such or discuss any phases of it with you. Your interest in this total subject is greatly appreciated.

Sincerely yours,

RALPH S. ROBERTS,
Administrative Assistant Secretary.

REPORT ON MAIL HANDLING AND CORRESPONDENCE PRACTICES IN THE UNITED STATES DEPARTMENT OF AGRICULTURE, 1957

1. Introduction

The Office of the Secretary of Agriculture, with its continuous interest in the handling of correspondence in the most expeditious manner, requested that a study be made of the mail and correspondence practices of the Department. Accordingly, in a memorandum to the heads of agencies dated April 12, 1957, copy attached, the Administrative Assistant Secretary put the survey in motion. Donald J. Simon, Office of Administrative Management, and James H. Austin, Office of Plant and Operations, were assigned the responsibility for conducting the survey.

2. Methods of survey

The study has been conducted in the following manner:

(*a*) A review was made of agency procedures and practices covering mail distribution and correspondence management. Specific areas of study were:

(1) Department and agency issuances pertaining to correspondence and mail activities.

(2) Utilization of the pneumatic tube system throughout the Department.

(*b*) Oral discussions have been held with the majority of the agencies to determine their methods of operation, and to discuss problems and suggestions for improvement.

(*c*) Time studies of pink jacketed mail (congressional correspondence for signature of the Secretary) were initiated as follows:

(1) Monthly tabulations by agency were made to reflect overall time used in preparation of pink jacketed mail.

(2) Information has been obtained and a comprehensive analysis is being made which will itemize in considerable detail the time involved in the preparation and review of secretarial mail.

(*d*) A review of several hundred secretarial letters has been made to determine the quality of correspondence, including format, compliance with acknowledgment policy, length of letters, processing time, and number of letters rewritten.

3. ***Mail operations***

(*a*) *General Department mail procedure.*—The Department post office receives all mail addressed to the Department in Washington. Thirteen deliveries and pickups are made per day from the Washington city post office to the Department Post Office Section. The Post Office Section employs a total of 5 people, with shifts staggered over its working hours of 7 a. m. to 6:30 p. m. With the exception of Mondays, all mail is generally sorted into agency boxes before noon. On Mondays, or any day following a holiday, it may sometimes be midafternoon before all mail is sorted. Although the Post Office Section averages approximately 48,000 pieces of mail sorted each day, it is very unusual for any mail to remain unsorted after 3 p. m. of any day.

Prior to 1950, the city post office sorted quite a bit of mail into sacks for each of the larger USDA agencies and the Secretary's office. These sacks were then passed on intent to the agencies, thus eliminating considerable sorting at our Post Office Station. However, this service was discontinued on May 21, 1950 to "effect economy in the postal service" and "expedite delivery of mail from the Washington, D. C. post office to most Government agencies."

Each agency has the responsibility for picking up its mail from the Post Office Section. The number of pickups varies from three per day for some of the small agencies to six for some of the larger agencies and the Secretary's Records Section.

Agencies consider the service rendered by the Post Office Section satisfactory. In two known instances agencies have deviated from the regular procedure for mail delivery. The Agricultural Marketing Service and Commodity Stabilization Service each rent a post office box at the Benjamin Franklin Station to receive time and attendance and other reports for payroll preparation of employees located outside the Washington area in State and commodity offices. These two boxes cost a total of $66 per year, and are rented at Government expense. The survey did not indicate that there are any instances where post office boxes are rented at personal expense to receive official mail.

(*b*) *Incoming telegram procedure.*—All telegrams coming into the Department are received in the Telegraph Section, Office of Plant and Operations. This Section has a total of 5 employees and operates from 8 a. m. to 6:30 p. m. The Section receives an average of about 290 telegrams per day and transmits an average of about 335 per day.

Where possible, incoming telegrams are sent promptly to the agency via the pneumatic tube system.

Certain agencies have messengers pick up telegrams on a regular schedule from the Telegraph Section. Generally, those agencies which have direct use of the pneumatic tube system receive telegrams through that facility which is much faster than messenger pickup.

(*c*) *Congressional mail procedure.*—It was desirable that the general procedure be reviewed on the handling of congressional letters addressed to the Secretary. A study conducted by the Department of Agriculture post office, from March 1 to April 18, 1957, showed that 5,564 letters from Congress were received in the Department. Of these, 1,436 were addressed to the Secretary or members of his immediate staff, representing 25.6 percent. Mail which is addressed to the Secretary and his immediate staff is routed to the Secretary's Records Section.

All official mail addressed to the Secretary, the Under Secretary and the Assistant Secretaries is opened in the Secretary's Records Section for the purpose of determining the proper office to handle each letter. Letters from the White House and Congress are given priority over all other mail. All mail marked "personal" or "personal attention" is delivered to addressees unopened.

The volume of official mail addressed to the Secretary precludes the possibility of his handling each letter personally. Accordingly, the Secretary's Records Section evaluates the contents of each letter to determine, in most instances, the channel of referral for preparation of a reply. Although a considerable portion of the congressional mail is sent to the agencies for preparation of a reply, photocopies are made of most of these letters. These photocopies are sent to the Secretary's Office to keep that Office apprised of congressional correspondence pending in the Department.

This procedure is the result of many years experience by the Immediate Office of the Secretary and the Secretary's Records Section. By photocopying the congressional letters referred to the agencies, it is possible to keep the Secretary and his staff aware of the correspondence and still permit the agencies to proceed with gathering of material for the reply. Some officials desire to see all correspondence addressed to them, even though a considerable portion of it must still

go to agencies for reply preparation. The Secretary's Correspondence Office and the Secretary's Records Section cooperate in resolving this type of referral, as well as in all matters of mutual concern.

(*d*) *Mail controls.*—There are several different systems used in the Department for controlling mail. In smaller agencies, one central control is found to suffice. The large agencies use decentralized controls. Generally, form AD–172 is being used as the standard control and recording form. This is a 5-copy 3 by 5 form, with interleaved carbons. However, a few local agency forms and logs were found in use. The controls as used in the agencies seemed adequate to the need, and there was little evidence of over control. Agencies agree that many secretaries and stenographers often keep an office log of some sort to keep track of mail moving in and out of their offices. While this practice can slow movement of mail slightly and adds to the paperwork generally, it was not considered to be a serious problem.

(*e*) *Pneumatic tube system.*—The Department has a pneumatic tube system serving the South and Administration Buildings. This system permits rapid transmission of mail to and from the Department post office. This is accomplished by using containers known as carriers. The system is designed to permit two-way transmission between the post office and 23 stations. These stations are located at 20 strategic locations in the South Building and 3 in the Administration Building. However, at this writing only 16 stations are in operation. The carriers have dials on them which permit one tube station to dial a code representing another. Upon receipt in the Post Office Section, the carrier is retransmitted to the other station. As one of the stations is the Department Telegraph Section, the system permits rapid transmission of telegrams between those agencies having tube stations and the Telegraph Section.

The Post Office Section handles an average of about 640 carriers daily.

(*f*) *Recommendations and actions taken.*—(1) All agencies should constantly scrutinize their mail handling operations, running periodic tests on the speed in handling correspondence. Since this study was started, a number of agencies have begun to make internal time studies. Agricultural Marketing Service had already established periodic checks. Agricultural Research Service is now maintaining time study information on a continuing basis. The Secretary's Records Section now keeps time study information on all pink jackets and plans to run periodic detailed time studies, such as the one used for this survey.

(2) One general area needing considerable attention is the mail room locations, including the redistribution points of the large agencies. Paralleling this, cognizance should be given the locations of mail rooms and redistribution points relative to pneumatic tube stations. (It is interesting to note that while 16 tube stations are now in use, only 13 were being used at the beginning of this survey.) The comparative inefficient use of the pneumatic tube system is largely a space problem.

(3) There is need for a uniform system of mail control and recording for that small percentage which needs that type of handling. The agencies are in agreement with this, and the consensus is that it should center around the use of a 3 x 5 form. The 3 x 5 AD–172 is used now for a majority of recording and control operations. A new jacket has been developed which replaces both the present pink and green jackets and contains a built-in 3 x 5 multipart form. A uniform control system will simplify conveying information between agencies in identifying letters.

(4) Several agencies commented during this survey on the lack of information about one another's mail operations. The Department should provide the opportunity for dissemination and discussion of information in the field of mail management. The USDA Records Management Council is the best forum for this purpose. One of the more informative meetings of that group in recent years was a special program presented by the Agricultural Marketing Service on postal procedures and regulations.

4. Clearances

(*a*) *Referral for initials.*—It is the practice of most agencies to refer a letter for preparation of a reply to the organizational unit having responsibility for the pertinent function. In many cases this usually is the section, branch, or division level. Two agencies have a policy of trying to answer the majority of letters at a higher level, thereby eliminating part of the time spent in referring letters back up through channels for approval. As long as agencies continue the practice of referring letters to lower levels for preparation of replies, there will always be a number of initials required. Supervisors at succeedingly higher levels quite naturally wish to review correspondence for which they are responsible. Each additional level causes delay in getting out letters in a reasonable time.

(*b*) *Time study.*—A mail time-check study of pink-jacketed letters was made by the Secretary's Records Section for a period of 60 days.

The study revealed that on the average a letter stays in the originating agency 6.1 days. During this time the reply is prepared and necessary internal agency reviews are made. When a letter required clearance in other program agencies, an average of 2.6 days in clearance time was involved. However, only 5 percent of these letters required such clearance.

Further study showed that 38 percent of these letters required staff office clearance, averaging 1.7 days per letter. The Secretary's office averaged 1.5 days obtaining their internal reviews and signatures. This information is based on an analysis of 214 pink-jacketed letters.

5. Acceptability

(*a*) *Content.*—The content of secretarial correspondence is generally good. There appears to be no evidence that letter writers try to be evasive in answering inquiries. A few letters might sound evasive to certain people, but it is the complexity and diversity of agriculture's programs that tend to make certain letters difficult to answer in a way pleasing to all.

Of the 552 letters which were reviewed for this portion of the survey, 17 percent had been rewritten at least once. It appeared that the rewriting, in most cases, was for clarity of content, not just grammatical changes. Rewritten letters require additional handling time and cause delay in getting out the reply.

(*b*) *Language.*—Long sentences, long paragraphs, long letters, and the use of unusual words at times make letter reading complex and difficult to understand.

The review of several hundred secretarial letters indicates that some of the Department's correspondence falls in these categories. Percentages are as follows:

53 percent of secretarial letters reviewed contained long sentences (more than 30 words per sentence).

20 percent of secretarial letters reviewed contained long paragraphs (more than 12 lines per paragraph).

36 percent of secretarial letters were in excess of 1 page.

Many of the Department's inquiries are answered by quoting a law or regulation, which has a tendency to make the tone of certain letters sound impersonal. Most of the letters prepared for the Secretary's signature are addressed to persons in high official positions, particularly Members of Congress. It is recognized that the Secretary's letters may not seem complex to them. On the other hand, it is the practice of some Members of Congress to send a copy of the Secretary's letter to his constituent, who is usually in the farming business. An estimated 75 percent of the Department's letters are sent to persons in this latter category. Simplification of certain of the Department's correspondence appears to be justified.

(*c*) *Format.*—The prescribed format for preparation of correspondence contained in the Department's correspondence manual is being followed almost 100 percent. Considering the rate of turnover for secretaries and stenographers, it is commendable that so few letters are written with the wrong format. Several of the agencies conduct continuing training courses for new secretaries and stenographers, which is the reason for good compliance with the correspondence manual.

(*d*) *Neatness.*—Since the review of correspondence was made from carbon copies, it was not possible to check the original letters for neatness. Only in one review office were agency letters being rewritten because of lack of neatness. Most of the agencies try to do a neat job, but some letters are handled numerous times prior to signature and are soiled unintentionally once in a while. The Office of the Secretary and the Secretary's Records Section try to sort out those letters that do not meet standards for neatness and have them retyped.

(*e*) *Recommendations and actions taken.*—(1) To reduce the percentage of letters rewritten, it is recommended that there be closer cooperation between the writers and reviewers. Perhaps more guide or pattern paragraphs could be drafted for repetitive types of letters, e. g., soil-bank inquiries. The Secretary's Office has used with considerable success guide letters for replying to large volumes of letters on a single subject. The Commodity Stabilization Service and the Farmers' Home Administration have successfully used pattern paragraphs developed in collaboration with members of the Secretary's staff. Pattern paragraphs or letters approved by the reviewer would reduce the number of rewritten letters, conserve stenographic time and speed up handling time.

(2) It is recommended that the workshop in "plain letters" be conducted in all agencies of the Department, for both the writers and reviewers of letters. The Administrator of the Foreign Agricultural Service announced at one of his staff meetings that he had noted an improvement in the quality of FAS letters as a

result of the workshops in plain letters. FHA has conducted the plain-letters workshop for top-level personnel, but has not yet made an evaluation of its effectiveness. The Office of Administrative Management has conducted the workshop for representatives of agencies. The representatives are now expected to train their agency people, with advice and assistance from OAM. OAM has also conducted two workshops for the staff offices.

(3) All agencies should have a continuing training program for secretaries, stenographers, and typists in the use of the Department's correspondence manual. The Agricultural Marketing Service, Commodity Stabilization Service, and Office of the General Counsel periodically conduct such training courses.

(4) The Department policy of acknowledging letters within 3 days was not being adhered to. The period of time has been changed to 7 calendar days, with emphasis placed on getting out the final reply rather than a mere acknowledgment.

6. *Conclusions.*—This survey revealed a strong desire on the part of all personnel concerned to improve mail operations and correspondence preparation. Many of the agencies already have strong internal programs, and others are developing them. With proper leadership, many improvements can be made in the fields covered by this study.

Throughout the survey, the agencies were most cooperative and helpful. Many of the findings and recommendations in this report are the result of the frank and comprehensive discussions held between members of the survey team and agency personnel.

JAMES H. AUSTIN, *Office of Plant and Operations.*

FEBRUARY 11, 1958.

UNITED STATES DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D. C., April 12, 1957.

MEMORANDUM TO HEADS OF DEPARTMENT AGENCIES

CORRESPONDENCE AND MAIL SURVEY

With a view to improving standards of quality and performance in the handling of secretarial correspondence, a departmentwide survey has been authorized to inquire into:

1. Speed of handling and overall routing of mail from the time it is received in the Department to the time the reply is signed and transmitted.
2. Number of clearances required in the review of outgoing correspondence.
3. Overall acceptability of letters including simplicity, sincerity, brevity, format, and appearance.

This survey will be a joint undertaking by the Department and the agencies and coordinated by the Office of Administrative Management and the Office of Plant and Operations. If present procedures, or techniques, are found to be inadequate, complete analysis should be made so that corrective action can be taken.

Initially a time-check study will be made on a sampling basis among all the agencies. For this purpose a special form will accompany letters on which replies are to be prepared for secretarial signature (pink jackets) to determine time elapsed at each point of handling.

The group conducting the survey will consist of representatives of staff offices and agencies. For further information, call James H. Austin, extension 3337, or Donald J. Simon, extension 3535.

RALPH S. ROBERTS,
Administrative Assistant Secretary.

Mr. WHITTEN. I would like to say that there have been times when the Secretary was interested in getting responses from the chairman of this committee, and practically a week would elapse in which his office still hadn't received a letter that I had mailed.

Now, that has happened 2 or 3 times. The cases that I cite are those where the Secretary was calling my office with reference to material that I know I had mailed. We have in recent months delivered it by messenger, which kept out some of that delay.

Mr. ROBERTS. We try to get matters up to you and up to the committee, too, by special messenger in order to avoid delay. We have also adopted a practice in the Secretary's Records Section that should avoid the thing you are talking about unless someone in the immediate office of the Secretary just fails to get it to him.

Frequently congressional mail comes to the Department which requires a good deal of summary or detailed data. It may take several days to assemble. That kind of a letter is usually routed directly to the agency having responsibility for that particular subject matter.

To avoid the Secretary's Office having a lack of knowledge on the particular inquiry, we have adopted the practice of verifaxing, or making a photographic copy of the incoming letter. The copy is then routed to the Secretary to let him know that the letter is in and what it is about. At the same time we can get the people in the agency developing details on it and thereby expedite the response.

I hope that this procedure will avoid the very thing that you are talking about, Mr. Chairman.

PERSONNEL AND AVERAGE SALARIES

Mr. WHITTEN. I have seen a confidential copy of the report to the Committee on Post Office and Civil Service with reference to the increase in salary of Federal employees.

I would like for you to put in the record at this point the change since 1952 and the number of personnel in the Secretary's Office and the change, if any, in the average grade and salary for that period.

Mr. Grant, the budget officer, is here and I would like for that same information to be incorporated in the record with regard to the various other activities of the Department.

Mr. GRANT. We will be glad to put that in the record, sir.

(The information referred to is as follows:)

Office of the Secretary

Salaries and expenses—Average annual positions, grades and salaries, fiscal year 1952–59 [1]

	Actual, fiscal year 1952	Actual, fiscal year 1953	Actual, fiscal year 1954	Actual, fiscal year 1955	Actual, fiscal year 1956	Actual, fiscal year 1957	Estimated, fiscal year 1958	Estimated, fiscal year 1959
General administration:								
Average positions	59.2	57.6	47.8	47.7	48.9	51.6	52.0	52.0
Average GS grade	GS–9.8	GS–9.9	GS–9.2	GS–9.5	GS–9.6	GS–9.4	GS–9.7	GS–9.7
Average GS salary	$7,053	$7,131	$6,768	$6,952	$7,500	$7,346	$7,657	$7,644
Personnel administration and service:								
Average positions	86.0	85.4	86.8	73.5	79.2	78.2	83.0	83.0
Average GS grade	GS–9.5	GS–9.1	GS–8.9	GS–9.2	GS–9.1	GS–8.9	GS–9.0	GS–9.0
Average GS salary	$6,502	$6,341	$6,252	$6,442	$6,776	$6,653	$6,646	$6,646
Budgetary and financial administration and service:								
Average positions	92.7	100.4	92.8	85.8	86.9	79.0	83.0	83.0
Average GS grade	GS–8.5	GS–8.5	GS–8.6	GS–8.7	GS–8.8	GS–8.9	GS–8.9	GS–8.9
Average GS salary	$5,758	$5,740	$5,811	$5,773	$6,464	$6,475	$6,478	$6,499
General operations:								
Average positions	107.2	105.9	104.3	99.1	97.9	89.5	90.0	90.0
Average GS grade	GS–7.1	GS–7.1	GS–6.7	GS–6.6	GS–6.6	GS–6.5	GS–6.5	GS–6.5
Average GS salary	$5,035	$5,066	$4,892	$4,889	$5,328	$5,277	$5,311	$5,328
Administrative management:								
Average positions						8.9	9.0	10.0
Average GS grade						GS–10.6	GS–11.0	GS–11.0
Average GS salary						$7,427	$7,562	$7,562
Regulatory hearings and decisions:								
Average positions	17.5	17.2	17.8	18.0	17.9	17.0	17.0	17.0
Average GS grade	GS–9.1	GS–8.9	GS–9.1	GS–9.1	GS–9.1	GS–9.2	GS–9.6	GS–9.6
Average GS salary	$6,793	$6,638	$6,614	$6,709	$7,307	$7,558	$7,617	$7,630
Total:								
Average positions	362.6	366.5	349.5	324.1	330.8	324.2	334.0	335.0
Average GS grade	GS–8.6	GS–8.6	GS–8.2	GS–8.3	GS–8.4	GS–8.4	GS–8.5	GS–8.5
Average GS salary	$6,002	$5,970	$5,801	$5,912	$6,399	$6,392	$6,454	$6,433

[1] Average position figures reflect the positions under the direct appropriation, exclusive of reimbursements.

U. S. Department of Agriculture

Change in average annual positions, and average salary[1], fiscal year 1959 compared with fiscal year 1952

[Note.—The average salaries in 1959 are not comparable with those for 1952 primarily because of the pay increase provided by the act of June 28, 1955 (Public Law 94), which increased the rates of basic compensation for employees of the Government by an average of about 7½ percent]

Agency or activity	Fiscal year 1952 (actual)		Fiscal year 1959 (estimated)		Increase (+), or decrease (−), fiscal year 1959 compared with fiscal year 1952	
	Average annual positions	Average salary	Average annual positions	Average salary	Average annual positions	Average salary
Agricultural Research Service	13,331	[2] $4,871	17,029	$5,345	+3,698	+$474
Extension Service	228	5,444	244	6,633	+16	[3] +1,189
Farmer Cooperative Service	90	[2] 5,538	116	6,125	+26	+587
Soil Conservation Service	12,296	4,279	15,765	4,791	+3,469	+512
Agricultural Conservation Program Service	70	[2] 5,632	72	6,606	+2	[4] +974
Agricultural Marketing Service	6,231	[2] 4,776	8,513	5,306	+2,282	+530
Foreign Agricultural Service	435	5,285	698	7,043	+263	[5] +1,758
Commodity Exchange Authority	117	5,033	128	5,419	+11	+386
Commodity Stabilization Service	4,879	[2] 4,270	8,432	4,647	+3,553	+368
Federal Crop Insurance Corporation	825	4,260	980	4,760	+155	+500
Rural Electrification Administration	1,183	5,376	1,025	6,610	−158	[6] +1,234
Farmers' Home Administration	6,631	4,260	5,966	4,743	−665	+483
Office of the General Counsel	431	5,251	449	6,151	+18	[7] +900
Office of the Secretary:						
Salaries and expenses	371	6,002	335	6,463	−36	+461
Working capital fund	171	3,788	164	4,870	−7	[8] +1,082
Office of Information	211	4,928	222	5,603	+11	+675
Library	171	4,039	143	4,605	−28	+566
Forest Service	14,601	4,523	20,441	5,091	+5,840	+568
Defense production activities	540	4,856	[9]	[9]	−540	[9]
Total, U. S. Department of Agriculture	62,812	4,550	80,722	5,070	+17,910	+520

[1] Average annual positions reflect employment under all funds available, including advances, reimbursements, and transfers from other agencies; average salary figures reflect the average salary for general schedule grades.

[2] Due to the reorganization of the Department, pursuant to Reorganization Plan No. 2 of 1953, average salary for fiscal year 1953 is used for these agencies since figures are not available on a comparable basis for 1952.

[3] Additional responsibilities assigned to the Federal Extension Service in carrying out an expanded cooperative Extension Service program required the employment of additional technically trained personnel in the various agricultural science fields resulting in a higher ratio of technical staff to clerical staff.

[4] The Agricultural Conservation Program Service was first established in 1953 under Reorganization Plan No. 2 and the staffing of top policy and administrative positions on a full-year basis was not accomplished in that year. The completion of staffing of the agency, and the termination of field work conducted in 1953 on flood-control activities by lower grade employees, has resulted in a higher than average increase in average salaries.

[5] The average salary of the Foreign Agricultural Service was also increased when the agricultural attachés were transferred to that agency from the State Department since the average salary is based on salary rates for attachés and their American secretaries while the salaries of foreign nationals, which are much lower, are not included.

[6] The increase in average salary for the Rural Electrification Administration results in large part from the establishment of higher minimum pay rates for engineers by the Civil Service Commission; engineers employed in the rural electrification and telephone programs are paid at the maximum rates in their grades.

[7] Increased responsibilities of the Office of the General Counsel have necessitated employment of additional attorneys at entrance level grades, who have been promoted to higher grades as they have become more experienced and capable of assuming more responsible assignments, resulting in a slightly higher average salary than would normally occur.

[8] The increased average salary under the working capital fund, Office of the Secretary, results primarily from the fact that since 1953 motion picture, photographic, and arts and graphics services of the Office of Information have been financed under the working capital fund; such work involves technically trained specialists at a generally higher average salary than those employed in the other central service operations of the fund.

[9] This activity was discontinued at the end of fiscal year 1953.

Mr. Whitten. Mr. Marshall.

Mr. MARSHALL. It is in this department that you pay for the per diem and whatever expense might be involved for the advisory committees?

Mr. ROBERTS. Yes. There is in this appropriation about $11,500 for the travel expenses, and the per diem in lieu of subsistence, of the members of the National Agricultural Advisory Commission. We do not pay them a per diem salary or other remuneration.

Mr. MARSHALL. How much did you pay last year?

Mr. ROBERTS. I think substantially the entire amount, $10,942, Mr. Marshall.

Mr. MARSHALL. How many advisory committees do you have?

Mr. ROBERTS. Well, this is just the National Agricultural Advisory Commission that is paid from these funds.

I would have to insert in the record the total number of advisory committees we have. We have a large number of them, as you know, authorized under the Research and Marketing Act of 1946, that are advisory in connection with various phases of research and marketing work in the Department.

Mr. MARSHALL. How many——

Mr. ROBERTS. Our largest number of committees are in that area of our work.

(The information requested follows:)

Committees are used extensively in the Department of Agriculture to assist in program planning and development. Through consultation with industry and commodity groups and others, advice and information is obtained which is often helpful in administration. Recommendations from such groups contribute to responsive public service at the county, State, and National levels.

Public advisory committees of major importance number 65. This figure includes the National Agricultural Advisory Commission, which reviews USDA policies and program administration in consultation with the Secretary of Agriculture. Twenty-eight committees established under the Research and Marketing Act of 1946 meet periodically (some annually, some semiannually, and some quarterly) to advise on commodity production, utilization, and marketing research activities. Other committee groups are varied, and would include such committees as—

School Lunch Advisers to the Secretary
Advisory Committee on Vesicular Exanthema Eradication
National Arboretum Advisory Council
Commodity Credit Corporation Advisory Board
Electric Advisory Committee (REA)
Telephone Advisory Committee (REA)
Soil and Water Conservation Advisory Committee.

Mr. MARSHALL. How many members serve on this National Advisory Commission?

Mr. ROBERTS. Eighteen.

Mr. MARSHALL. Has there been any change in the makeup of this committee in the last year?

Mr. ROBERTS. Yes. There is rotation.

Here is a list, Mr. Marshall, of the members of the National Agricultural Advisory Commission as of January 20, 1958, with dates of their tenure of service.

Mr. MARSHALL. I suggest that be included in the record.

Mr. WHITTEN. Without objection, that will be included in the record then.

Mr. ROBERTS. There may have been 1 or 2 changes since then. If I could put this in the record with the privilege of bringing it up to date if there has been any changes——

Mr. MARSHALL. I would like to have it up to date, of course.

Mr. ROBERTS. This is up to the 20th of January.

(The list referred to is as follows:)

LIST OF MEMBERS OF THE NATIONAL AGRICULTURAL ADVISORY COMMISSION AS OF JAN. 20, 1958

Members	*Tenure of service, including period of current appointment* [1]
W. I. Myers, Chairman, dean, New York State College of Agriculture, Cornell University, Ithaca, N. Y.	July 1, 1954, to Jan. 31, 1960.
Roswell H. Anderson, Wibaux, Mont.	Mar. 21, 1955, to Jan. 31, 1958.
Robert Armstrong, Rural Route 3, Monmouth, Ill.	July 1, 1954, to Jan. 31, 1959.
George D. Bailey, Rochester, Vt.	Mar. 15, 1956, to Jan. 31, 1960.
Harry J. Beernink, general manager, Washington Cooperative Farmers Association, 201 Elliott Ave. West, Seattle, Wash.	Mar. 21, 1956, to Jan. 31, 1959.
W. Aubrey Calloway, Bosco, La.	Mar. 15, 1956, to Jan. 31, 1959.
Homer R. Davison, president, American Meat Institute, 59 East Van Buren St., Chicago, Ill.	July 1, 1954, to Jan. 31, 1958.
Arthur B. Evans, Cedarville, Ohio.	Mar. 21, 1955, to Jan. 31, 1958.
Tom H. Hitch, Tennessee Farm Bureau Federation, Box 313, Columbia, Tenn.	July 1, 1954, to Jan. 31, 1960.
O. B. Jesness, Department of Agricultural Economics, University of Minnesota. St. Paul, Minn.	Mar. 15, 1956, to Jan. 31, 1959.
Arthur C. Lawrence, Route 3, Apex, N. C.	Mar. 21, 1955, to Jan. 31, 1958.
James J. Love, 121 North Quincy, Fla.	Mar. 21, 1956, to Jan. 31, 1959.
Chris Milius, 306 North 43d St., Omaha, Nebr.	July 1, 1954, to Jan. 31, 1959.
Albert Mitchell, Tequesquite Ranch, Albert, N. Mex.	July 1, 1954, to Jan. 31, 1960.
Milo K. Swanton, executive secretary, Wisconsin Council of Agriculture Cooperative, 205 Tenney Bldg., Madison, Wis.	July 1, 1954, to Jan. 31, 1958.
Ben Swigart, Mooreland, Okla.	Do.
Jesse W. Tapp, chairman, board of directors, Bank of America, 660 South Spring St., Los Angeles, Calif.	Do.
Alvin F. Wiese, Box 292, Eagle Lake, Tex.	Mar. 21, 1957, to Jan. 31, 1960.

[1] Appointments are made for terms of 3 years.

Mr. WHITTEN. Mr. Natcher.

Mr. NATCHER. Mr. Chairman, I have no questions at this time, but I do want to personally thank Mr. Roberts for the splendid cooperation that I have always received from him.

Mr. ROBERTS. Thank you, Mr. Natcher. We always try to be helpful to any of the Members of the Congress.

Mr. WHITTEN. I will subscribe to that.

Mr. Santangelo.

REIMBURSEMENT FOR TRAVEL EXPENSES INCIDENT TO HEARINGS

Mr. SANTANGELO. Mr. Roberts, as I understand, the proviso which you wish to insert as a change of language would recapture about $11,000 of expenses.

Mr. ROBERTS. If the hearings run as high as the agencies estimate, namely, 146, we might have to recapture as much as twelve or thirteen thousand dollars.

Mr. SANTANGELO. That is the maximum you would recapture, about twelve or thirteen thousand?

Mr. ROBERTS. Yes; assuming the remainder of the hearings' average cost is about the level of those thus far. The hearings thus far have averaged about $120 for travel.

FINDINGS OF THE HEARING EXAMINERS

Mr. SANTANGELO. Also in connection with the hearings that the hearing examiner conducts, does he make any findings of fact which he submits to the hearing officer?

Mr. ROBERTS. Mr. Hyde.

Mr. HYDE. On hearings with respect to milk orders issued under the Agricultural Marketing Agreement Act, also fruits and vegetables; no. We take the evidence and certify the record. But if a handler is aggrieved and thinks a provision of the order is illegal or unfair as to him and he files a petition seeking relief under what we call section 15 (A) of that act, then that becomes an adversary proceeding, and we write proposed findings and recommend a decision. That is also true as to all cases under the Packers and Stockyards Act and the Commodities Exchange Act. In all adversary matters, we write a recommended decision.

On matters of rulemaking, under the act I have mentioned and also under the Sugar Act, we take the evidence and certify the record.

Mr. SANTANGELO. Certify to whom?

Mr. HYDE. Certify the record to the administrative agency that called the hearing. Under the Agricultural Marketing Agreement Act, it would be the Agricultural Marketing Service. We file our certificate as to the hearing and the record is moved on to that agency that has the responsibility for issuing the ruling.

Mr. SANTANGELO. And when you don't have any findings of fact, the reviewing agency must read the whole record?

Mr. HYDE. Yes. They have to study the whole record and make their findings based upon the evidence in the record; and I might add that at hearings those who participate are told that consideration is limited to the material in the record and the facts they want the Secretary to consider must be in the record.

Mr. SANTANGELO. Do you think in those particular cases it might expedite it if you had findings of fact?

Mr. HYDE. That is a tough one. I can respond this way, as to that New York hearing, I am delighted I didn't have to write the findings of fact and conclusions because that was a tremendous economic problem. We might have to have some staff economists. Those problems are in the field of experts in marketing and agricultural economics.

Mr. SANTANGELO. Thank you. No further questions.

Mr. WHITTEN. Mr. Horan.

Mr. HORAN. We just passed a bill yesterday that almost balanced things. That is the Interior. We appropriated $413,145,600 and the total revenues from those activities encompassed in the bill were $411,137,441—total revenues. Included in those revenues were some $111 million, I think, of forest receipts. There was over a hundred million in oil leases on the Continental Shelf and various other incomes that have almost made that bill, in the year of our Lord 1958, balanced.

Included also in the bill was a reference to timber sales in the national forests and asked the Forest Service to do what they are doing now, to review their activities in the national forests to bring them up to date, to see that no wastage occurred in the national forests and to bring their timber sales more into focus with the present economic picture.

Definitely, with the mills working a 5-day week and shorter hours than they did during the war, that must be reflected in one of the major incomes of the Federal Government, that is, timber sales.

HEARINGS INVOLVING THE FOREST SERVICE

It is my understanding now that the lumber industry and the Forest Service do have a neutral body to appear before in any case of a dispute.

Is that true?

Mr. ROBERTS. Yes, where the dispute arises out of any contractual relationship between the Forest Service and a user of the national forest or national forest resources.

Mr. HORAN. I had occasion to go out in some of the selected logging areas of my own district last fall and I had occasion to observe certain practices in selective logging that I thought were wasteful. In traveling about a hundred yards, I observed and was told that Forest Service markers in an area that was being presently logged had left burned stumps, had left leaners—a leaner is a tree that is of commercial size but is not growing straight. It is practice, of course, to cut those because they deteriorate. I observed 4 or 5 dead tops and they should be harvested because they mature.

It was estimated in what I saw in the process of moving about a hundred yards that the Federal Government had lost at least a thousand dollars in these timber sales—not a big item, but I was just in a small part of the forest, and it was what I observed.

I understand that the Forest Service is taking steps to correct those things and to avoid the loss entailed in the failure of Forest Service markers to properly mark those trees. I don't think that we would have that reform going on if it were not for the action of the Secretary in placing the timber industry, both the Forest Service and the industry itself—placing the hearing examiners at their disposal.

Prior to that time, we had no way to settle any dispute between the Forest Service and those who buy the timber and properly log it on a sustained-yield base. I am just happy to report that.

Included in the Interior report was this language, and I would like to place it in the hearings at this time, if I may, Mr. Chairman.

Mr. WHITTEN. We will be glad to have it.

Mr. HORAN (reading):

It is requested that the Forest Service review its regulations in respect to timber cutting to assure, commensurate with proper sustained-yield management, that as complete a cut as possible is made of all mature timber ready for cutting within national forest timber sale areas.

I bring that to your attention because I have reason to believe that the Forest Service is trying to take steps in that direction.

I am happy to say that I believe everybody is happy that you have the hearing examiners available to adjudicate disputes, and I believe that it will keep all concerned up to date and a good deal happier than they were previously.

Mr. ROBERTS. I am sure that will be the case, Mr. Horan. As I said before, we have 4 cases now, 3 of which are scheduled—or all 4 scheduled.

Mr. HYDE. All four scheduled.

Mr. ROBERTS. All four are scheduled to be held, and will be completed, before the end of March.

We expect that we might have as many as 2 cases a month, and within the next 12 months it is possible that we might have as many as 30 such cases.

Mr. HORAN. Well, it is very important to have those going on now when logging operations are at a minimum, particularly in the northern part of the United States.

Now I wonder if you do your programing so that hearings that might be carried on at early times of the year are held in the South, which is increasingly an important lumber producing area and where logging is more a year-round proposition than it is in the North?

Mr. ROBERTS. We are going to take those cases as they arise, and get them heard just as quickly as we can after the grievance is appealed.

Mr. HORAN. Would it be possible to pay some attention to the seasonal aspect of logging in certain areas?

Mr. ROBERTS. Can you answer that, Mr. Hyde?

Mr. HYDE. We try in scheduling these hearings to set them at the convenience of the parties, and I believe with that in mind, sir, that your point will be covered. We are working to that end.

Of course, our experience is brief. We only have the four of them, and none of them are in the Northwest.

Mr. HORAN. I have tried to bring the lumbering industry and the Forest Service together. I am happy to report that while the Forest Service is now working on new regulations which will bring them out of the wartime era when stumpage was something to be had at any price and the industry itself, by competitive bidding, got some stumpage up so high that it was unreasonable and, of course, that isn't true any more, and in order to attack the unemployment factor, Forest Service has to adjust, I think, to fit the times. I think we can all agree on that.

I have reason to believe they are doing that now, but you may have some cases in the Northwest, depending on what the regulations are, that come out of it. But we do have, because of your hearings—and I assume they are available to both parties—your findings.

Mr. ROBERTS. Oh, yes.

Mr. HORAN. We do have a foundation then upon which to make periodical adjustments which didn't come about prior to this hearing examiner phase. That is all, Mr. Chairman.

Mr. WHITTEN. Thank you, Mr. Roberts.

Mr. ROBERTS. I think Mr. Hyde has a point on Mr. Horan's question.

Mr. HYDE. I am not sure that you understand this: In the hearings that we are going to hold for the Forest Service, we are going to take the evidence and certify the record to the Chief Forester, and the final adjudication will be made by him. We will write no findings in those cases, just take the evidence.

Mr. ROBERTS. Or if there is an appeal from the Forest Service decision based on the record at the hearing, the final decision is in the Secretary himself.

Mr. HORAN. I understood it that way.

However, without your hearings, he would have no basis for his judgment.

Mr. ROBERTS. Oh, no.

NUMBER OF PERSONNEL

Mr. SANTANGELO. Mr. Roberts, can you clarify something for me: How many employees are there in the Secretary's Office?

Mr. ROBERTS. In the Secretary's immediate office, we have 52, Mr. Santangelo.

Mr. SANTANGELO. In the Finance and Budget Office?

Mr. ROBERTS. In the Office of Budget and Finance—that is the Office that is headed by Mr. Grant—we have 83.

In the Office of Personnel, we have 83.

In Plant and Operations, we have 90. That is the group that handles space, files and purchasing, property management, and that sort of thing.

In the Office of Administrative Management, we have 10.

And in the Regulatory Hearings and Decisions, we have 17, 7 of whom are in the hearing examiner's office. The remainder are in the office of the judicial officer and the hearing clerk's office. They handle all the pleadings and papers that are filed and documented in connection with these hearings.

Mr. SANTANGELO. The overall total is about 319?

Mr. ROBERTS. I think it is 335.

Mr. KAUFMAN. Three hundred and thirty-five.

Mr. SANTANGELO. And does that include the people on the National Agricultural Advisory Commission?

Mr. ROBERTS. No. There are no employees there. That is all costs of travel and per diem of the members of the committee.

Mr. SANTANGELO. Those commissioners are in addition to the 335?

Mr. ROBERTS. Yes.

Mr. BETTS. They are not employees.

Mr. ROBERTS. Thank you, Mr. Chairman. If we can provide any additional information, we will be glad to do so.

Mr. WHITTEN. Thank you.

OFFICE OF INFORMATION

WITNESSES

RALPH S. ROBERTS, ADMINISTRATIVE ASSISTANT SECRETARY OF AGRICULTURE
R. LYLE WEBSTER, DIRECTOR OF INFORMATION, OFFICE OF INFORMATION
JAMES H. McCORMICK, ASSISTANT DIRECTOR IN CHARGE OF PUBLICATIONS, OFFICE OF INFORMATION
GALEN YATES, CHIEF, ADMINISTRATIVE MANAGEMENT DIVISION, OFFICE OF INFORMATION
CHARLES L. GRANT, DIRECTOR OF FINANCE AND BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

Salaries and Expenses

Program and financing

	1957 actual	1958 estimate	1959 estimate
Program by activities:			
1. Publications review and distribution	$635,213	$655,050	$655,050
2. Review and distribution of current agricultural information	480,120	495,950	495,950
3. Review, preparation, and distribution of visual agricultural information	205,241	216,500	216,500
Total obligations	1,320,574	1,367,500	1,367,500
Financing: Unobligated balance no longer available	4,426		
Appropriation (new obligational authority)	1,325,000	1,367,500	1,367,500

Object classification

		1957 actual	1958 estimate	1959 estimate
	Total number of permanent positions	130	132	132
	Full-time equivalent of all other positions	1	1	1
	Average number of all employees	120	121	121
	Number of employees at end of year	130	135	135
	Average GS grade and salary	7.3 $5,468	7.4 $5,531	7.4 $5,603
	Average salary of ungraded positions	$4,194	$4,229	$4,229
01	Personal services:			
	Permanent positions	$650,322	$655,229	$666,800
	Positions other than permanent	4,857	5,600	5,600
	Other personal services	5,383	7,871	2,850
	Total personal services	660,562	668,700	675,250
02	Travel	11,223	11,300	11,300
03	Transportation of things	3,463	3,400	3,400
04	Communication services	73,341	73,500	73,500
06	Printing and reproduction	514,069	514,500	514,500
07	Other contractual services	11,018	11,000	11,500
	Services performed by other agencies	26,076	20,500	12,950
08	Supplies and materials	9,557	10,000	10,000
09	Equipment	10,561	10,400	10,400
11	Grants, subsidies, and contributions		43,400	43,900
15	Taxes and assessments	704	800	800
	Total obligations	1,320,574	1,367,500	1,367,500

Mr. WHITTEN. We now come to the Office of Information. In that connection, we would like page 368 through 381 of the justification included in the record.

(The material referred to is as follows:)

PURPOSE STATEMENT

The Office of Information was established under its present name in 1925 as a consolidation of functions formally organized as early as 1889, to coordinate in the Department the dissemination of information useful to agriculture as directed by the act establishing the Department of Agriculture in 1862.

The Office has general direction and supervision of all publications and other information policies and activities of the Department including the final review, illustrating, printing, and distribution of publications; clearance and release of press, radio, television, and magzine materials; maintenance of central files of news and general illustration-type photographs; and the preparation and distribution of exhibits and motion pictures. The Office publishes the Yearbook of Agriculture, the annual report of the Secretary of Agriculture, the Department directory, and the Department list of publications; handles the details of distributing farmers' bulletins allotted to Members of Congress; and services letter and telephone requests for general information received in the Department. Under the Department's working capital fund the Office also produces visual informational materials, such as motion pictures, exhibits, art and graphics materials, and still photographic work for the Department and other Government agencies.

Regular employment as of November 30, 1957, totaled 233. The Office has no field employees, except part-time or intermittent workers for seasonal use in displaying exhibits at State fairs and similar agricultural activities.

Appropriation:	
Appropriated, 1958	$1,367,500
Budget estimate, 1959	1,367,500

Salaries and expenses

Appropriation Act, 1958 and base for 1959	$1,367,500
Budget estimate, 1959	1,367,500

Project statement

Project	1957	1958 estimate	1959 estimate
1. Publications review and distribution	$635,213	$655,050	$655,050
2. Review and distribution of current agricultural information	480,120	495,950	495,950
3. Review, preparation and distribution of visual agricultural information	205,241	216,500	216,500
Unobligated balance	4,426		
Total appropriation or estimate	1,325,000	1,367,500	1,367,500

SUPPLEMENTARY PROJECT STATEMENT

(The following schedule reflects a more detailed analysis of the obligations shown in the regular project statement.)

Project	1957	1958 estimated	1959 estimated
1. Publications review and distribution:			
(a) Publications management	$45,338	$51,755	$51,755
(b) Printing procurement	35,344	37,225	37,225
(c) Inquiries and distribution	272,922	281,880	281,880
(d) Printing of farmers' bulletins, reprints and lists	255,209	256,500	256,500
(e) Special informational materials for programs in low-income agricultural areas	8,300	8,790	8,790
(f) Publications use study	18,100	18,900	18,900
Total	635,213	655,050	655,050
2. Review and distribution of current agricultural information:			
(a) Press service	94,657	99,888	99,888
(b) Preparation of reports	80,089	83,925	83,925
(c) Radio and television	92,374	99,137	99,137
(d) Printing Agriculture Yearbook	213,000	213,000	213,000
Total	480,120	495,950	495,950
3. Review, preparation, and distribution of visual agricultural information:			
(a) Art and graphics	13,656	18,040	18,040
(b) Exhibits service	69,187	67,905	67,905
(c) Motion picture service	80,866	79,435	79,435
(d) Photographic distribution	41,532	51,120	51,120
Total	205,241	216,500	216,500
Unobligated balance	4,426		
Total available or estimate	1,325,000	1,367,500	1,367,500

STATUS OF PROGRAM

Current activities.—The primary functions of the Office of Information are:

(1) Overall coordination of all information work in the Department:

(2) Final review of all information materials released to the public: and

(3) Coordination of agricultural information activities with those of other Federal and State agencies.

The Office provides a service to the Department and its constituent agencies designed to assist farmers, organizations, and institutions interested in agriculture, and the public at large to obtain useful knowledge pertaining to the Nation's agriculture by providing factual information on results of agricultural research work, trends in agricultural programs and policies, and similar information. The work of the Office in the dissemination of information useful to Agriculture, falls into three major activities:

Publications, which includes the management of the publications program (both printed or otherwise processed) of the Department, including policy review and clearance, printing, and distribution;

Current information, which includes press, radio, and television materials, special reports, the compilation and publication of the Agriculture Yearbook, and providing essential information on Department policies and programs to USDA employees in Washington and the field; and

Visual information, which includes exhibits, still photographs, art and graphics, and motion pictures.

The Office cooperates with commercial, industrial, and other nongovernmental organizations and sources relative to information work as required in carrying out the programs of the Department.

SELECTED EXAMPLES OF RECENT PROGRESS

Publications improvement program.—The Office of Information has continued in its efforts to improve the publications of the Department. Specific steps include:

Publications research.—Funds were provided in 1957 to begin a research project to study the use made of USDA publications with a view to improving the publications program of the Department. Initial studies have been undertaken and a

contract awarded to the Farm Research Institute, Urbana, Ill., to find out how farmers in Illinois are using USDA publications.

Sampling of publication needs.—Plans have been completed for a pilot project in five States to explore ways to develop procedures for a continuous sampling of the subject matter needs of people for State, regional, and national agricultural and homemaking publications.

Manuscript checklist.—A checklist for the guidance and convenience of editors and others who prepare manuscripts for Department publications was prepared and distributed to the agencies. Based on questions arising in the handling of manuscripts the checklist is helping to speed the handling of manuscripts by reducing the number of points in question when manuscripts are submitted for review and printing. A chart, based on a survey of manuscripts, showing the frequency of faults in preparation of material was distributed to agencies.

Manuscript summaries.—A summary statement on the contents of each forthcoming popular publication is now provided to the extension service to assist extension workers in the States. Previously, only sketchy data or no advance information was available concerning new materials.

Printing economies and efficiencies.—During the fiscal year, 3,949 printing orders were processed compared with 3,773 in 1956. As the result of technical adjustments in specifications for printing jobs, an estimated savings of $47,574 was made for Department agencies. Measures to keep printing and reproduction costs to a minimum are constantly emphasized. By revising type arrangement on 1 printing job, for instance, costs were reduced from $17.25 per thousand to $6 per thousand copies on a total run of 1,500,000 copies, resulting in a saving of nearly $17,000 on this job alone.

Manuscript clinic and workshop.—To aid in publication training and improvements, the Office has conducted manuscript preparation workshops and camera copy clinics for groups of workers in the Department. These are designed to help research men in preparing reports on their findings for publication, and include discussions of planning and mechanics, instructions on preparation of text, tables, and illustrations for camera reproduction, and the offset printing process.

Home economics series established.—A new Department publication series—Home Economics Research Reports—was established to cover subject matter on human nutrition, household economics, clothing, and housing. Under the new series, reports on home economics research will be issued for professional and technical workers in home economics and related fields, including those in education, industry, and government.

Revision program.—The backlog of outdated publications was further reduced. Manuscripts for 36 revisions of farmers' bulletins and other popular publications were forwarded to the printer during the year, compared to 26 for the previous year.

Printing regulations.—The Office was among the units from the executive branch participating in a series of conferences with the staff of the Congressional Joint Committee on Printing to work out revisions in the 1957 edition of the Government printing and binding regulations.

Processed materials clearance.—A total of 569 manuscripts and other materials intended for mimeographing or other processing were reviewed by the Office of Information to determine the necessity for, and the most economical means of reproduction. Of this total 274 were publications manuscripts (exclusive of reprints) and 295 were other materials (administrative printing, such as forms, etc.). This total is considerably above the 1955 figure of 183 publications manuscripts; other materials were not at that time subject to Office of Information clearance. In 1956 the total jumped to 907 when all materials in excess of 25,000 production units were included. The figure dropped back to 569 in 1957 due in part to better planning by the agencies in determining reproduction methods and to raising the exemptions from 25,000 reproduction units to 50,000.

Data on publications production and processed materials review

	1956	1957
Manuscripts received (new and major revisions)	501	512
New publications to the printer	401	485
Reprints to the printer, including slight revisions	372	356
Revisions to the printer	46	46
(Revisions of popular publications)	(26)	(36)
Processed publications cleared	272	274
Other processed materials reviewed	635	295
Issues of major periodicals reviewed and/or published	172	172

Total requests for publications and general information decreased in 1957.—Requests for publications and general information totaled 875,845 representing a decline of about 7 percent from the previous year and about 12 percent from the 5-year average. Congressional requests for copies of publications and general information totaled 315,783 or about 25 percent less than the previous year and the 5-year average. These figures do not include inquiries for press, radio, television, exhibit, and motion picture information. The comparison with previous years is shown in the following table:

Fiscal year	Congressional requests	Total requests
1952	376, 957	1, 021, 214
1953	350, 130	949, 626
1954	506, 918	1, 140, 223
1955	415, 518	937, 593
1956	426, 525	954, 225
1957	315, 783	875, 845

Data on publications handled.—A comparison of the number of copies of publications distributed by the Office during fiscal years 1956 and 1957 and estimated for 1958 and 1959 is as follows:

Copies of all publications

	1956	1957	1958	1959
Total stock of all publications	9, 563, 602	9, 186, 958	8, 926, 910	9, 000, 000
New publications	16, 070, 056	30, 386, 778	29, 073, 090	25, 000, 000
Reprints	10, 141, 619	13, 562, 819	12, 000, 000	10, 000, 000
Total available for distribution	35, 775, 277	53, 136, 555	50, 000, 000	44, 000, 000
Stocks at end of year	9, 186, 958	8, 926, 910	9, 000, 000	9, 000, 000
Total distribution	26, 588, 319	44, 209, 645	41, 000, 000	35, 000, 000

COPIES OF FARMERS' BULLETINS

Total stock of all bulletins	6, 042, 629	5, 690, 797	4, 761, 037	4, 500, 000
New publications	1, 860, 000	1, 315, 000	1, 738, 963	2, 000, 000
Reprints	7, 767, 700	6, 045, 700	7, 000, 000	7, 000, 000
Total available for distribution	15, 670, 329	13, 051, 497	13, 500, 000	13, 500, 000
Stocks at end of year	5, 690, 797	4, 761, 037	4, 500, 000	4, 500, 000
Total distribution	9, 979, 532	8, 290, 460	9, 000, 000	9, 000, 000

Mailing lists.—Shown below are the mailing list workload items handled in carrying out the responsibilities of maintaining the central mailing list index and of supervising the mailing list activities of the Department:

	1956	1957	1958	1959
Names included on index on June 30	392, 580	396, 157	399, 000	400, 000
Mailing lists in index	1, 189	1, 157	1, 170	1, 170
Mailing lists revised	114	130	150	150
Workload items:				
Additions to lists	52, 550	50, 090	50, 000	50, 000
Names or addresses changed	36, 607	24, 024	25, 000	25, 000
Names or addresses dropped	41, 764	46, 513	47, 157	49, 000
Total workload items	130, 921	120, 727	122, 057	124, 000

Press and special-reports activities.—A total of 4,520 releases and reports were issued during the 1957 fiscal year, an increase of 854 over the 1956 fiscal year total. This rise was due to an increased number of releases on disposition of surplus agricultural commodities under Public Law 480, on USDA's emergency disaster

programs—particularly drought aid, and on the Department's widespread marketing activities.

Circulation of the Daily Summary of press releases continued at about 3,600. The Daily Summary is used as an economical means of filling requests for agricultural information.

Hundreds of telephone, letter, and in-person requests for information and background material on USDA's programs and activities were handled. This was in addition to editing, clearing, processing, and distributing the Department's press releases, and distributing reports.

Food and home notes.—The weekly release service, Food and Home Notes, which goes to women's editors, women's radio and television program directors. free lance writers, state extension editors, home demonstration leaders, and consumer education and home economics specialists in the States continued to report on research and activities of the Department of concern to urban and farm families. At the year's end circulation of this release service was 2,500.

USDA Farm Paper Letter service.—The number of farm magazine and newspaper farm editors receiving the weekly Farm Paper Letter is approximately 400. This letter reports briefly on USDA activities and progress, giving the editors the highlights of agricultural developments for editorial use and followup. At the request of farm magazine editors, arrangements were made to provide advance information, especially in the research field, to give them an opportunity to release the information on a more even time basis with other media.

Advance release for extension editors.—The Office continued a system of advance releases to State extension editors—particularly in the field of agricultural research, to enable editors and those they serve to make greater use of USDA information. Releases are issued with an advance publication date of 10 days to 2 weeks, giving editors time to adapt stories to their own localities and release them to local daily and weekly newspapers simultaneously with the national release. Secretarial speeches and policy statements were also provided to the State extension editors by advance mailings.

Special service for State extension editors.—Each week several news releases are prepared especially for the use of State extension editors and sent to them through the Federal Extension Service. To meet State needs for information about USDA programs and research in a form that is not distributed elsewhere, these releases are more informal than regular Department releases and cover subjects of regional or lasting interest. This series is called News Service for Weeklies because it is designed principally for use in weekly newspapers, but it can be used in any way the editors desire and can be adapted to fit local and State interests and conditions.

Coordination of information campaigns.—The Office of Information continued its leadership in coordinating and directing information work on special information programs and problems that affect several agencies' interests and activities. Such broad scale information approach was applied to such subjects as: (1) the Great Plains programs, (2) soil bank programs, (3) second annual Farm-City Week, (4) weigh-a-day-a-month dairy testing plan, (5) commodity production adjustment programs, and (6) special food promotion drives, including such commodities as eggs, dairy products, rice, canned corn, and heavy turkeys.

Great Plains program.—The Office was represented on the USDA interagency committee developing the new Great Plains Conservation Program (Public Law 1021) and provided the chairmanship of an interagency information task force for this program. "A Long-Term Conservation Program for the Great Plains" (PA–332) was printed to inform representatives of USDA, the land-grant colleges, and others about the Public Law 1021 program.

Rural development program information service.—With expansion of the rural development program to 24 States in fiscal year 1957, the Office stepped up its use of all appropriate mediums in support of this activity. Six issues of the Rural Development Program News were released during the year, the circulation of which increased from approximately 5,000 to 7,500 at year's end. In addition, four major publications concerned with the program were issued: Annual report of the Secretary of Agriculture on rural development, special midyear report (February 1957), a program guide, and report on the July 1956 working conference. A new series of publications, Rural Resource Leaflets series, was inaugurated to supply information to leaders in low-income rural areas concerning development projects. Radio and television services of the Office provided an outlet for six separate stories on rural development which were

prepared for broadcasting. A three-panel exhibit was designed for showing at meetings, conferences, etc.

Soil-bank program.—In carrying out its staff responsibility, the Office provided centralized direction of information activities on the soil bank, working with CSS, ACPS, FS, SCS, and FES especially. The Office made the widest possible use of its channels to press, radio, and television outlets in reaching farmers and field organizations of USDA agencies as well. It also produced publications, radio and television program materials, and special reports that could not feasibly be produced by the agencies. Basic publications included: "The Soil Bank Program for 1957" and "The Conservation Reserve of the Soil Bank"; also, since 31 percent of all United States farms are now classified as part time, a leaflet (PA–342) "If You Farm Part Time, What Does the Soil Bank Offer You?" In process at the year's end was a leaflet on care and use of conservation reserve acres, to help farmers with nonuse management of such land.

Yearbooks of Agriculture.—The 1956 yearbook, Animal Diseases, was published in August 1956. This book deals with such subjects as the relationship of animal diseases to the welfare of human beings; the animal disease program of the United States; economic losses from diseases and parasites; causes and protection against diseases and parasites; specific diseases affecting cattle, swine, sheep, goats, horses and mules, poultry, fur-bearing and other domesticated animals.

The 1957 yearbook, Soil, was published in September 1957. This book deals with the fertility and management of soil. Major attention is paid to soils and plant growth, plant nutrition and fertility, soil moisture, the major and trace elements necessary for plants, application of fertilizers, principles of tillage, erosion, insects and plant diseases, irrigation, soil management for major crops, and the economic aspects of soil management. One section deals with soil management and needs in each of 16 regions of the United States. There are chapters that are of particular interest to people who have gardens, lawns, fruit trees, and small acreages.

Work is progressing on the 1958 yearbook, which will be devoted to land use and ownership.

Radio and television activities.—The number of radio and television stations continued to increase during the past year and there was a consequent increase in demand for agricultural and consumer information material. Radio broadcasting stations increased from 3,552 to 4,744 and television stations from 488 to 499. The Bureau of the Census reports that about 98 percent of the homes in the United States now have 1 or more radio receivers and that 80 percent of the homes have television. Almost 61 percent of the farm homes now have television as compared to 56 percent a year ago.

The Department worked with the National Association of Radio and Television Broadcasters and the National Association of Television and Radio Farm Directors in planning and developing materials on USDA programs and activities that would reach the largest audiences and benefit agriculture most.

Network activities.—The Department continued its cooperation with the National Broadcasting Co. in the production of the National Farm and Home Hour, with USDA headlines originating in Washington and USDA market news on each program, and with special Department features approximately every other week. The Department continued its cooperation with the American Broadcasting Co. (its radio network is now named the American Broadcasting Network) in the production of the American Farmer program each week, continuing the emphasis on tape recordings from land-grant colleges begun 2 years ago. Since early 1954, the planning and gathering of material for this program has been done entirely by the Office of Information.

The Office also cooperated with television networks in the production of programs featuring USDA officials and special activities.

Services to individual stations.—The weekly Radio Farm Directors Letter, providing news and background material, continued to go to about 900 persons in broadcasting and related fields.

Requests from individual stations for recording services increased substantially as the tape-recording library became a regular and useful source of timely broadcast material from the Department which stations can draw upon. Distribution of tape recordings during fiscal year 1957 was as follows:

Individual tapes for broadcast (network) and other uses	314
Duplicates for RFD's from tape library	520
Duplicates for RFD's at National Association of Television and Radio Farm Directors spring meeting	236

Short statements and interviews with Department scientists and officials on items of current importance were popular recorded features. Nonprofit trade associations cooperated with the Department by distributing recordings of Department officials through their own channels.

The weekly television program package service continued to be distributed dealing with Department information of more emergency nature. Additional stations use them as they are sometimes reissued from land-grant colleges as a part of the college television program services. The popular Beltsville Newsreel has continued regularly, including filmed reports from some of the regional and field laboratories reporting on new industrial uses for farm products. A similar TV news report dealing with marketing subjects is in the planning stage for an initial appearance early in fiscal 1958.

Television program packages dealing with consumer information items such as the monthly plentiful food list and other timely homemaker topics are distributed with ready acceptance to 265 stations to meet a demand from the women telecasters.

Art and graphics services.—Cooperates with the Department in planning and producing all art and graphics visuals. This includes supplying leadership and consultation on preliminary planning to insure maximum effectiveness at the most economical cost in such fields as publications design, television, presentations at meetings before Cabinet officers, Members of Congress, administrators, and the general public. The production of art and graphics material is performed under the working capital fund on a reimbursable basis. Requests for these services are constantly increasing as evidenced by the following figures: 1,900 jobs were processed during fiscal year 1957; 1,700 jobs were processed during fiscal year 1956; and 1,500 jobs were processed during fiscal year 1955.

Examples of cooperation with agencies on planning are:

Surplus disposal program.—Assisted in the planning and preparation of visual presentations with the Office of the Secretary. These presentations were made at a meeting of the President and his Cabinet.

Drought inspection tour.—In cooperation with other Federal agencies, this Division planned and prepared original presentations available to the President, the Secretary of Agriculture, and other top officials. This material visually demonstrated the drought situation, and was a handy reference to the President and his party on the drought-inspection tour.

Publications service.—In addition to designing the Department's popular publications, this Division furnishes the design and art preparation on the following periodicals: Agriculture Research, Agricultural Marketing, Rural Lines, and Extension Service Review.

American fruits for the world.—In cooperation with Foreign Agricultural Service designed a publication which is being printed in Austria. This publication when completed will be printed in 8 colors and in 4 languages.

Weekly television service.—Plans and prepares art materials for a weekly television program series intended to communicate visually the programs of the Department.

What we get from trees.—A 4-color visual, size 30 by 40 inches, intended for school audiences, identifying our natural resources, was planned and designed for the Forest Service.

Visual training material.—With the Federal Extension Service planned and designed visuals intended to foster its program of improved communication through the land-grant colleges.

Still photographic services.—The Department's still photographic services are centralized in the Office of Information and photographic work is performed under the working capital fund on a reimbursable basis. During the fiscal year 1957, over 5,200 new photographs were made and approximately 115,000 prints were reproduced from new negatives and those in the central file. During the year about 8,000 negatives and prints were made on cotton standards.

Central photograph library.—The Office continued the review of the more than 175,000 photographs received in the centralization of the Department's news and general-type photographs. About 50,000 of these remain to be integrated into the central library. An index guide listing the subjects covered by these photo-

graphs is maintained as an aid to Department personnel and others using USDA photographs.

Picture story series.—A series of photographs showing the activities of the various USDA agencies are sent periodically to farm magazine and newspaper editors. In addition, a series of picture stories on special programs and research work are prepared and sent to farm magazine and newspaper editors. These picture stories cover such subjects as the Battle Against Brucellosis, Project Skyfire (a project aimed at protecting our valuable mountain forests), Attack on the Gypsy Moth, the Place of Trees in America's Agricultural Soil Bank Program, and others.

Filmstrip services.—More than 10,000 (4 by 5) color transparencies and 2,400 (2 by 2) color slides have been placed in the central library. There are now about 150 USDA filmstrips available. Under the 1957 Department contract sales totaled 3,235, with 332 going to USDA agencies and 2,903 to outside sources.

Exhibits service.—Department exhibits shown at fairs, meetings, and conventions totaled about the same as in fiscal year 1956: 125 unit showings in response to requests by and through State extension workers; an additional 97 unit showings were scheduled in the States by the Department. The total, 222, compares to 216 in fiscal year 1956. In addition, 41 exhibits were shown in the Washington, D. C., metropolitan area.

Feature exhibitions throughout the year included Moving Surplus—Expanding Foreign Markets, which was introduced in a special presentation in the patio of the Department of Agriculture Building in Washington, D. C. Exhibit units of the series are being scheduled for early showing in the field. Other important local and regional showings included the National Flower Show, Washington, D. C.; Freedom Fair, Arlington, Va.; Mid-America Jubilee, St. Louis, Mo.; International Livestock Exposition, Chicago, Ill.; National Western Stock Show, Denver, Colo.; and the patio photographic exhibition in connection with the International Photographic Exposition, Washington, D. C.

	Fiscal year 1956	Fiscal year 1957
New exhibits produced	28	40
Exhibits renovated	219	153
3-D visual aids	(1)	41

[1] Not recorded.

Motion-picture activities.—Although production of the total number of films, television packages, and television spots have increased, the separate subjects are continuing to become shorter in length. This is due to increasing agency requests and requirements for short television films. All production work was accomplished under the working capital fund on a reimbursable basis. A compilation of this film production follows:

Type of production	Films for USDA		Total film productions	
	1956	1957	1956	1957
Full-length productions (15–30 minutes)	4	6	10	12
Short productions (7–15 minutes)	9	25	16	27
TV packages (3–7 minutes)	16	24		26
TV spots (less than 3 minutes)	7	12	17	28
Total	36	67	43	93

The Department continues to cooperate with the States and other nonprofit, non-Federal organizations in the production and distribution of agricultural films.

Among the motion pictures produced for the Department during fiscal year 1957, were:

The Agriculture Story.—Presents a functional introduction to the working of the Department in the fields of research, education, marketing, credit, and regulations.

It's Carving Time.—Produced in cooperation with a nonprofit association to illustrate a new turkey carving method.

A Piece of Wood.—Takes a tour of the Forest Service Wood Products Laboratory and shows the new products scientists are helping industry produce from wood.

Your Meat Inspection Service.—Tells the story of the Federal meat inspectors who guard the wholesomeness of the Nation's meat supply by telling what is behind their famous purple stamp.

Tree Bank.—Illustrates the why and how of using trees in connection with the soil-bank program—growing trees as a crop, to control erosion, to improve watershed land, for wildlife, and as wind breaks.

Mr. WHITTEN. Mr. Webster, I notice the request is for the same amount of money you had this year. We will be glad to have any general statements you care to make as to the trials and tribulations of an information officer.

Mr. WEBSTER. Thank you, Mr. Chairman.

I might make a report on some of our activities of particular interest to the committee.

YEARBOOK OF AGRICULTURE

Our work in general is going along quite well on schedule. I might say that on the Yearbook of Agriculture, the book for this year will be on land use and ownership. Last year's book, of course, was on the subject of soil.

We are in the midst of about three yearbooks at a time. We have one about ready to go to press, we have one we are actually getting manuscripts for, and then we usually have some preliminary planning and scouting, you might say, for the second year ahead.

As I say, we are in the process now of working on the 1959 yearbook on the subject of nutrition. We haven't firmly decided what the subject of the 1960 book will be.

The book this year will be comparable in size to the one last year.

Mr. WHITTEN. How about demand for the yearbook on soils?

Mr. WEBSTER. It is proving quite popular. We have checked, as of the first of this month, on the sales, which is a sort of index that we go by over and above the normal distribution.

As of the 1st of February, sales of the Soils yearbook were 21,632, which we think is quite good for the length of time it has been out.

I think the best seller is still Keeping Livestock Healthy. It has had accumulated sales of 71,843.

Mr. WHITTEN. The Department reprinted that once or twice, did you not?

Mr. WEBSTER. It was reprinted once.

That is about the story on the yearbook.

Mr. HORAN. Could I ask a question now? Are you talking about the revised Keeping Livestock Healthy, or the original 1942 edition?

Mr. MCCORMICK. The original edition, Mr. Horan. The more recent Animal Diseases Yearbook, the 1956 book, has sold 23,253 copies.

Mr. HORAN. That is the one we attempted to bring up to date.

Mr. WEBSTER. Yes.

Mr. HORAN. If I might be permitted to comment there, it was a very fortunate thing that it was printed when it was because during the war the drain on our veterinarians for military inspection abroad

and elsewhere left an enormous number of our rural areas almost completely without immediately available veterinarians, and it was very fortunate that we had the book.

Mr. WHITTEN. In that connection, I had a letter within the last week or 10 days from an individual in which he said that he had paid $10 for some book on the same subject and that Keeping Livestock Healthy was a far better book than the one he bought. This is the reaction of a man who works with livestock.

Mr. WEBSTER. We have had the same editor, Mr. Stefferud, for about 10 years now, and we feel the quality is quite well maintained in the books.

Mr. WHITTEN. You might proceed.

PUBLICATION DISTRIBUTION

Mr. WEBSTER. On the matter of publications, we are distributing publications about at the rate we have been. Our total Farmer's Bulletin distribution last year was approximately 8 million copies. The distribution through members would be something more than half of that.

Our stocks on hand as of the beginning of this year were down somewhat. A year ago we had 5½ million. We are down to about 4½ million.

I want to comment on that, that we feel that this is a reasonably adequate supply in view of the fact that we have reduced the number of publications on the list that we normally supply to members which has been running about 500 to 600 titles.

We have studied these and we found a number in which the material is out of date and rather than list something which would go out to a citizen that isn't up to date, we thought we had better take it off the list until we can get the publication revised.

So our current list has about 450 publications, and we are working as hard as we can to get these revisions brought up to date.

RESEARCH INFORMATION

Mr. WHITTEN. These publications, bulletins, and other things are the Department's method of making available to the American people the results primarily of your research.

Mr. WEBSTER. True.

Mr. WHITTEN. And unless you are going to get the information disseminated, there is not much point in having the research.

I mention that for the record because, quite frequently, we people want to know why in the world you are publishing so many free books or free pamphlets. But it is an effort to disseminate information for which we spend lots of money to attain it.

Mr. WEBSTER. Yes, and if I might comment on that, too, the increased emphasis on research which has been placed in the Department in recent years has pointed toward more publication because, as the chairman said, if you do the research, you ought to report it. The publication is the logical and usual way of doing it.

We have watched these increases. We have felt that this ultimately is going to pile up in a heavier and heavier publications program.

PUBLICATION IMPROVEMENTS

Last year, we sent about 20 percent more publications of all kinds to the Government Printing Office than we sent the year before. We sent 401 in 1956, and last year 485, which is roughly a 20-percent increase.

We have handled this with the same staff that we have had. We have tried to do some things which would be more efficient and handle this a little more efficiently than we have, and I have a sample of one thing that we have done:

Typically, we have had in the Office of Information publications come to us with a certain type of error. We would correct it and spend time straightening it out, and the next month we would get another publication with the same kind of errors in it, and we would spend this time again.

We have issued in the last year what we call a manuscript checklist. It is a simple thing, but I would like to just make that available.

We send these to the originators of the publication. We say, "Now, before you send this through, make sure that these points that we have been raising with you have been taken care of."

We are finding that while this is a simple device, it is helping. We receive material in better shape, and we can handle it in less time, and we think this is one reason why we can handle this 20 percent larger amount of manuscripts we are now getting.

I mention that this 20-percent figure showed up last year. It was extended for the first 6 months of this year, too. So, apparently, this is an increase we are going to have from now on.

We brought along 2 or 3 samples of publications that we have put out. This is one that was put out before the sputnik, but it has a little more point, it seems to me, than at the time we put it out.

On these publications we have checked their readability. The readability theory is sometimes discounted by publications people, but we think it is at least one rough index.

We checked a sample of our 1942 Farmers' Bulletins, and then we checked a 1957 sample last fall. We found that in 1942 where we had 44 percent of our publications in what is known as a college grade level, somewhat difficult reading, we are now down to about 19 percent.

In other words, you take this sample and the general readability and the ease of reading, now we have a smaller number in the college level.

On the junior high level, the eighth and ninth grades, in 1942 we had about 8 percent. We now have 25 percent.

This has been the result of conscious effort, and we believe this is one reason that the publications are continuing to be popular and serve the purpose they do.

TELEVISION SERVICE

Mr. WHITTEN. What are you doing in connection with televised programs?

Mr. WEBSTER. Our work in television is in two parts: We have had going for several years what we call a television package program. This is a program in which we supply to people who have

farm television programs material about the work of the Department. This will include script and photographs, sometimes it will be films, or it will be charts related, of course, to the work that the Department is doing.

We now send this once a week to about 135 people who have indicated they would like this service. We send them a quarterly advance notice listing the material that will be sent, and they send the order back and say what they want.

If we had a cotton package, a man in your territory, Mr. Horan, wouldn't check that one; but if we had wheat, we know he would want the one on wheat. This is the way it works.

We have done work in the movement of trying to get more food consumption by sending comparable material to the television programs that are aimed at the housewives. This is done not as frequently as the other ones.

Now we have another activity in television which we are just getting into which looks to have some possibilities. There now are two television programs which are produced commercially and sent out on film. These two outlets have come to us and asked us if we have material. We supply them subject matter material; we supply them photographic material; and we have film material which they can buy.

We think this is a good opportunity to disseminate our information.

EMPLOYMENT FIGURES

Mr. WHITTEN. How many employees do you have?

Mr. WEBSTER. We have against this appropriation 132 positions and 121 man-years.

Mr. WHITTEN. I would like for you to include the average salary and grade since 1952.

Mr. WEBSTER. Very well, sir.

(The material referred to is as follows:)

Office of information—Salaries and expenses

Average general schedule salary:	
Fiscal year 1952 (actual)	$4,928
Fiscal year 1959 (estimated)	5,603
Increase	+675

Mr. WHITTEN. Mr. Natcher.

YEARBOOK DISTRIBUTION

Mr. NATCHER. Mr. Webster, what manner of distribution do you use for your agricultural yearbooks in the land-grant colleges?

Mr. WEBSTER. The supplies we send to the land-grant colleges are largely notification. The Extension Service would send it to their people and the experiment station people would get a supply to send one to each station, I believe.

Mr. NATCHER. What I have in mind, Mr. Webster, is how do the Agricultural Yearbooks find their way down the line to our county agents, home demonstration agents, all of those connected with agriculture?

Mr. WEBSTER. I believe there is about enough for one for each county extension office, and there isn't the distribution to other field offices except probably to the State level.

Mr. MCCORMICK. That is right. About 4,500 go to the Extension Service, and they distribute them out through the States. There is about, as Mr. Webster says, one per county, but that is as many as we can supply under the departmental supply ranging between ten and twelve thousand.

Mr. NATCHER. The present yearbook is in my opinion a fine yearbook, Mr. Webster, and I know the people in my section of the United States appreciate it very much.

YEARBOOK ON LAND USE AND OWNERSHIP

The next yearbook, as you pointed out, will be the yearbook entitled "Land Use and Ownership"; is that correct?

Mr. WEBSTER. That is correct.

Mr. NATCHER. Briefly, what will that consist of?

Mr. WEBSTER. I could probably answer that, Mr. Natcher, by going through the prospectus, a sort of condensed outline.

Mr. NATCHER. I wonder if you could supply a brief statement showing what it consists of?

Mr. WEBSTER. I would be glad to.

(The material referred to is as follows:)

OUTLINE OF 1958 YEARBOOK ON LAND USE AND OWNERSHIP

I. *Our Land Heritage.*—The importance of land: the problem; our wealth of land resources; how we use our land; how we acquired our land; land in the economic development of the Nation; our remaining heritage of public lands.

II. *The Use, Management, and Tenure of Private Lands.*—The different uses of farmlands; typical farm situations in six major farming regions; trends in kinds and size of farms; part-time and residential farms; development of the American tenure system; ownership of farmland; tenure of farm operators; ownership and operation of private forest lands; use and occupancy of nonagricultural lands.

III. *The Use and Management of Public Lands.*—National forests, Bureau of Land Management lands, other public lands.

IV. *Land Income and Valuation of Land.*—Distribution of income from land; valuation of land; appraisal of land; classification of land; current land values; the mechanics of land transfers; financing ownership of land; insurance against loss of land products and services; land in relation to farm programs.

V. *Land Resources in Relation to Prospective Needs.*—How needs for food and fiber have been met; prospective demands for food and fiber; prospective demands for forest products; prospective demands for other uses of land; alternative ways of meeting the demands; meeting demands by advances in agricultural technology; technological advances in relation to nonagricultural uses; conservation of land and water resources; public investment in resource development; assistance to individual farmers; group programs for land and water management; watershed protection; programs for forest management; irrigation in low rainfall areas; flood control and drainage; land clearing; balanced use and development of land and water resources.

VI. *Emerging Problems of Ownership and Control.*—Tenure arrangements to facilitate better use of land; getting established in farming; zoning and other measures to prevent undesirable uses; group action to develop and protect land; arrangements to facilitate the use, development, and protection of public lands.

VII. *Use and Ownership of Land in Alaska, Hawaii, and Puerto Rico.*

VIII. *Toward the Better Use of Land.*

Mr. NATCHER. That is all.

Mr. WHITTEN. Mr. Santangelo.

Mr. SANTANGELO. Could you tell us what books you publish that would be of interest to city dwellers?

Mr. WEBSTER. Much of the material we have is home economics material, material dealing with the home.

We have a recent list of publications for the farmer and homeowner. These have to do with clothing and food, things of that kind. These are available to you in any quantity you desire.

Mr. HORAN. In commenting on my colleague's question, I might say a good deal of this is directed toward the consumer in an attempt to step up the consumption of farm products.

I think you will find that Mr. Webster will send you plenty of stuff to read in that regard.

Could I ask this question: Frank Teuton, who does a great deal of promotion for the research department, isn't under you?

Mr. WEBSTER. No, he is under the Agricultural Research Service. He has worked with the regional laboratories a good deal and his demonstration is based to a large extent on what the laboratories have done.

Mr. HORAN. Mr. Teuton does an excellent job in advertising the work of the Agricultural Research Service. You work with him?

Mr. WEBSTER. Oh, indeed, yes, and we have had him on television and things of that kind.

Mr. HORAN. Yes, I have too.

Do other parts of the Department have comparable persons compared to Frank Teuton?

Mr. WEBSTER. I don't think you will find many people that have that skill and have the graphic presentation technique that he has. There are some people who do it on a smaller scale, but I think he is very much the exception. He is a very valuable asset to the Department.

Mr. HORAN. Very.

That is all, Mr. Chairman.

Mr. WHITTEN. Thank you, Mr. Webster. We always welcome having you before this committee. We appreciate the fine way in which you present your material.

Mr. WEBSTER. Thank you very much, Mr. Chairman.

LIBRARY

WITNESSES

RALPH S. ROBERTS, ADMINISTRATIVE ASSISTANT SECRETARY OF AGRICULTURE
FOSTER E. MOHRHARDT, DIRECTOR, LIBRARY
CHARLES L. GRANT, DIRECTOR OF FINANCE AND BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

Salaries and Expenses

Program and financing

	1957 actual	1958 estimate	1959 estimate
Program by activities: Agricultural library services (total obligations)	$733,500	$772,000	$772,000
Financing: Unobligated balance no longer available	1,500		
Appropriation (new obligational authority)	735,000	772,000	772,000

Object classification

	1957 actual	1958 estimate	1959 estimate
Total number of permanent positions	139	136	136
Full-time equivalent of all other positions	1	1	1
Average number of all employees	131	127	127
Number of employees at end of year	132	126	126
Average GS grade and salary	5.6 $4,516	5.8 $4,619	5.8 $4,627
01 Personal services:			
Permanent positions	$601,494	$579,800	$582,300
Positions other than permanent	2,146	4,500	2,000
Other personal services	520	2,700	2,700
Total personal services	604,160	587,000	587,000
02 Travel	2,656	2,600	2,600
03 Transportation of things	560	600	600
04 Communication services	14,775	14,800	14,800
06 Printing and reproduction	3,553	3,600	3,600
Binding	27,054	28,000	28,000
07 Other contractual services	23,885	24,000	24,000
Services performed by other agencies	2,064	20,100	20,000
08 Supplies and materials	5,502	5,600	5,600
09 Equipment	48,303	48,000	48,000
11 Grants, subsidies, and contributions		37,000	37,200
13 Refunds, awards, and indemnities	605	600	500
15 Taxes and assessments	383	100	100
Total obligations	733,500	772,000	772,000

Mr. Whitten. We have come to the library, and we would like pages 383 through 388 of the justification incorporated in the record at this point.

(The material referred to is as follows:)

Library

PURPOSE STATEMENT

Function.—The library, pursuant to the Department's Organic Act of 1862, and under delegation from the Secretary, "procures and preserves all information concerning agriculture which can be obtained by means of books * * *." Under the act establishing the Department, the library also serves as the National Agricultural Library.

Activities.—The library makes available to the research workers of the Department and the State agricultural colleges, as well as to the general public, the agricultural knowledge of the world that is contained in published literature. This reduces duplication of effort and avoids wasted time by enabling scientists and administrators to know what has been done previously in their fields. In pursuance of the Organic Act, the library collects current and historical published material and organizes it for maximum service to the Department and to the public through reference services, loans of publications, bibliographical services, and photoreproductions of library material. It issues a monthly Bibliography of Agriculture in which is listed the agricultural literature of the world. The book collection approximates 1,074,000 volumes.

Organization.—The library serves as a staff office of the Secretary and in addition has operating responsibilities in the field of library and bibliographical services. There are six specialized field branches serving major field research installations. In addition, five State agencies provide library services to Department employees in designated geographical areas under cooperative agreements.

On November 30, 1957, the library had 156 employees of whom 136 were in Washington and 20 in the field.

Appropriation:

Appropriated, 1958	$772,000
Budget estimate, 1959	772,000

Salaries and expenses

Appropriation Act, 1958 and base for 1959	$772,000
Budget estimate, 1959	772,000

Project statement

Project	1957	1958 (estimated)	1959 (estimated)
1. Agricultural library services:			
(a) General library services	$484,000	$509,500	$509,500
(b) Specialized services to research	249,500	262,500	262,500
Unobligated balance	1,500		
Total appropriation or estimate	735,000	772,000	772,000

STATUS OF PROGRAM

Current activities.—The primary function of the library is to collect current and historical publications, and organize them for maximum service. It serves as the National Agricultural Library. The library makes available to the research workers of the department, agricultural colleges and universities, other research and educational institutions throughout the world, individual farmers, and the general public the agricultural knowledge of the world which is contained in its literature. This is accomplished through three major types of activity:

Technical processes services, including selection, acquisition, classification, cataloging and preparation for use of all books, journals and other publications added to the library collection in Washington and the field;

Bibliographic services, including bibliographic liaison with research and technical personnel, compilation and editing of special bibliographies and provision of an index to the world literature on agriculture through the Bibliography of Agriculture; and

Reference and lending services, including individual reference and lending work, making photoprint or microfilm copies of articles, coordinating these services for field personnel through branch libraries and contract agreements with libraries of agricultural institutions, and preserving and maintaining the Nation's and world's heritage of published knowledge in the field of agriculture.

In addition, there are collections of books and journals located at certain field installations. These collections, as well as other needed library facilities and services, are provided by the appropriate agencies of the Department as approved and supervised by the Director of the library.

These services are coordinated directly with the Librarian of Congress and the Director, National Library of Medicine.

SELECTED EXAMPLES OF RECENT PROGRESS

1. *Acquisition of publications.*—A continuous intensive acquisition program has been carried on in an effort to provide the major agricultural publications needed by the Department's workers, research personnel, farmers and the public generally. The collection still lacks essential agricultural information published in foreign countries, as well as many important domestic publications. The aggressive gifts and exchange program resulted in the acquisition of approximately 70 percent of the material received. A tabulation of major acquisition statistics for the past 5 years and estimates for 1958 and 1959 follows:

Year	Obligations for publications	Number of publications received from all sources (gifts, exchanges and purchases)		
		Volumes added to collections	Number of periodical issues	
			Received	Retained
1953	$44,478	37,020	611,279	284,743
1954	47,839	34,461	594,646	274,695
1955	45,366	[1] 21,451	603,387	275,112
1956	44,726	[1] 25,414	591,791	293,774
1957	46,288	[1] 23,878	578,265	272,537
1958 estimate	46,000	20,000	580,000	272,500
1959 estimate	46,090	21,000	600,000	300,000

[1] These decreases in the volumes added to the collection were due primarily to the reduction in the number of volumes bound and decrease in the branch inventories during 1955 and 1956. In 1957, the decrease was due primarily to decreases in branch and law unit inventories.

NOTE.—The figures in "Volume added to collections" exclude the backlog of unprocessed material comprised of approximately 29,000 volumes at the end of 1957 which represents an increase of 6,000 volumes over 1956.

2. *Reference and lending services.*—The following statistics indicate small decreases in both reference and circulation services.

	1956	1957	Percent of increase (+) or decrease (−)
Volume of loans and circulations:			
Washington	372,471	338,412	−9.1
Field	798,494	761,612	−4.6
Total	1,170,965	1,100,024	−6.1
Reference questions answered:			
Washington	97,281	89,009	−8.5
Field	43,789	49,164	+12.3
Total	141,070	138,173	−2.1

NOTE.—The decrease shown in volume of loans and circulations is due primarily to a special effort to reduce periodical routing. This was accomplished by circulating only those journals actually required for official use to those persons needing them in the performance of their specific duties.

3. *Preparing published material for use.*—During 1957 13,391 titles were classified, cataloged, and arranged to make valuable information readily available to Department workers. 272,537 serial publications were recorded and made a part of the collection.

4. *Bibliographic services.*—94,690 items were included in the Bibliography of Agriculture during 1957, a decrease of 2,512 under the 1956 figure.

There were 41 bibliographies, indexes, and lists prepared on specialized subjects such as:

(*a*) Index to the literature of American economic entomology.

(*b*) Bibliography on botany, culture and usefulness of several range grasses (references since 1900) for use of a research project in the Southwest.

(*c*) List of selected references (1946–55) on liquid nitrogen.

(*d*) List of selected references (1950–56) on Teschen disease, a virus disease of swine similar in many ways to human poliomyelitis.

(*e*) List of references on virus diseases of soybeans.

5. *Preservation and maintenance of the collection.*—The library continues to have its binding done by a small business concern under a waiver issued by the Public Printer. Under the 1957 contract 5,103 volumes were bound for the main library and 1,138 volumes for various field branches.

6. *Photocopy services.*—49,605 orders consisting of 433,750 pages of microfilm and photoprint were completed. Of this number, 22,186 orders, totaling 206,173 pages were provided free to the Department's agencies and the cooperating libraries. For the remaining orders, $38,913 was received in reimbursement for the cost of operation.

Overall volume of work statistics—Fiscal years 1953–59

	Actual					Estimated	
	1953	1954	1955	1956	1957	1958	1959
Titles cataloged	16,809	16,295	15,070	15,269	13,391	15,000	15,000
New cards added to library catalog	87,407	85,413	71,519	67,333	64,635	65,000	65,000
Loan of books or periodicals [1]	1,218,244	1,145,236	1,148,380	1,170,965	1,097,220	1,100,000	1,100,000
Reference questions answered [1]	136,855	130,677	133,931	141,070	138,162	140,000	140,000
Serial publications entered	284,743	274,695	275,112	293,774	272,537	275,000	275,000
Requests for photo copy filled	43,168	49,432	48,187	46,297	49,605	49,000	49,000
Items indexed in Bibliography of Agriculture	99,993	95,670	100,698	97,202	94,690	95,000	95,000
Volumes bound	6,068	9,264	5,893	6,285	6,241	6,300	6,300
Obligations for books, periodicals, newspapers, and other publications	$44,468	$47,839	$45,366	$44,726	$46,288	$46,000	$46,000

[1] Adjustment of figures, 1953 through 1955, to a comparative basis with 1956 to reflect change in procedures adopted in 1956.

Mr. WHITTEN. We have with us Mr. Mohrhardt, the Director. We will be pleased to have him present his general statement at this time.

Mr. MOHRHARDT. I don't have any formal statement to put on the record, but I would like to just mention two points that I think might be of interest to your committee.

TRANSLATION OF FOREIGN AGRICULTURAL PUBLICATIONS

During the past year, we have made an extensive study in the Department of our holdings of foreign agricultural publications and the possible needs for translations. This is part of a governmentwide and nationwide interest in what is going on in scientific research in other countries.

We have found, of course, that there is particular interest in research work that is being done in Russia and the other Slavic countries. We have not yet set up a formal program because it was indicated both in the Department and by the land-grant institutions whom we serve that they were more interested in getting abstracts of the publications first to see whether or not they wanted the complete translations. We now have made arrangements so that the abstracts of the Russian scientific research in agriculture will be made available in English to American agriculturists. After these are available in the next few months on a continuing basis, we expect that there will be requests for translations of complete articles, and

we hope to be able to set up a program of some kind to meet these needs.

At the present time, we are working very closely with the Office of Scientific Information in the National Science Foundation and the Office of Technical Services in the Department of Commerce, and both of them are extremely helpful to us in working on this translation program.

Mr. WHITTEN. I appreciate that statement and am glad to see that you are proceeding on what seems to me to be a sensible basis.

I was talking to someone in the Department with reference to these translations. I was inclined to agree with the suggestion offered to me, which was that you get some indication as to whether they really had a need for this, so that those who were interested in it could pay the cost of the translation. This would prevent you from building up a big force that might be translating documents for which there would be very little use.

Now off the record.

(Discussion off the record.)

RUSSIAN TOUR

Mr. WHITTEN. With several members of the staff, I toured Russia and attended an agricultural fair in Moscow. There were two or three things quite noticeable to us.

One thing was in livestock; they seemed to go in for dual-purpose cattle. Cattle, apparently, are in short supply throughout that area. Also, the fatter the hog the better the hog. Over here our investigations have led in other directions.

The other thing that we noticed there was that most of their breeds were acknowledged to have originated in some other country. The Russians in every instance said they had been greatly improved.

The Hereford cattle, they acknowledged, came from England, but they called them the "White Face." They also had the Brown Swiss, and said they had greatly improved it.

At the agricultural fair I don't remember seeing a single animal of any kind that they claimed was of Russian origin. But the breed originally came from somewhere else. In each instance they said they have improved it; and I would say they have, perhaps, from the standpoint of their need. Their hogs, as I say, are terrifically heavy and fat because fat is greatly needed in the harsh, cold climate they have; and so it goes throughout the livestock industry.

Again may I compliment you on what I think is a sensible proposal here, instead of going in and trying to translate everything that is in sight.

Mr. MOHRHARDT. Thank you, sir.

PRINTING AND BINDING

Mr. WHITTEN. How are your printing and binding costs as compared with prior years?

Mr. MOHRHARDT. Well, most costs are rising, as is common in all libraries. We have tried to cut unit costs wherever possible, particularly in these areas.

Mr. WHITTEN. Could we have a statement in the record showing the changes that have occurred for the last several years in printing and binding?

Mr. MOHRHARDT. Yes, sir.

Mr. WHITTEN. And I believe I asked earlier that I would like to have a listing of the number of employees and the average grade and salary for the last 5 or 6 years.

(The material referred to is as follows:)

Comparison of printing and binding for the Bibliography of Agriculture

Fiscal year	Number of copies printed	Total printing and binding cost	Net printing and binding cost per copy
1952	16,800	$12,993	$0.77
1953	16,800	13,940	.83
1954	16,800	12,531	.75
1955	16,800	12,236	.73
1956	16,950	12,927	.76
1957	17,400	13,435	.77

The printing budget of the Library is primarily used for the monthly Bibliography of Agriculture. We have been able to keep our costs low for this printing by using photo-offset and preparing the original copy in our own office. The tables indicate the Library's success in its efforts to keep all costs at a minimum.

Comparison of costs for the binding of publications

Fiscal year	Number of volumes bound	Total cost	Net cost per volume
1952	9,508	$21,838	$2.30
1953	6,068	13,832	2.28
1954	9,264	22,697	2.45
1955	5,893	12,994	2.20
1956	6,285	13,366	2.13
1957	6,241	13,284	2.13

The above table shows the effectiveness of the Library's program to reduce per unit binding costs. Through using only one color of binding and other standardizations the Library is able to obtain economies in binding by using commercial binders and placing bids on a highly competitive basis. These binders all fall within the small-business category.

BOOKS AND JOURNALS

A study of scientific journals purchased by the Library shows an increase in cost per yearly subscription from $4.64 in 1952 to $5.47 in 1957. This is an 18 percent price rise for 5 years. Similar increases have been made in the cost of books.

Library

	Fiscal year 1958 (actual)	Fiscal year 1959 (estimated)	Increase (+), or decrease (−)
Average annual positions	171	143	−28
Average general schedule grade	$4,039	$4,605	+$566

Mr. WHITTEN. We want to thank you again. You are asking the same amount as last year. This committee is thoroughly familiar

with your work, and we know the valuable work of the Library service.

Thank you very much.

Mr. MOHRHARDT. Thank you.

OFFICE OF THE GENERAL COUNSEL

WITNESSES

ROBERT L. FARRINGTON, GENERAL COUNSEL
EDWARD M. SHULMAN, DEPUTY GENERAL COUNSEL
CHARLES W. BUCY, ASSISTANT GENERAL COUNSEL
EDWARD F. MYNATT, ASSISTANT GENERAL COUNSEL
W. EDWARD BAWCOMBE, EXECUTIVE ASSISTANT TO THE GENERAL COUNSEL
CHARLES L. GRANT, DIRECTOR OF FINANCE AND BUDGET OFFICER

SALARIES AND EXPENSES

Program and financing

	1957 actual	1958 estimate	1959 estimate
Program by activities:			
1. Agricultural credit and conservation	$1,357,701	$1,479,000	$1,479,000
2. Commodity credit, production and adjustment programs	660,242	749,000	769,000
3. Marketing and regulatory laws	432,763	468,000	548,000
4. Agricultural research and staff legal services	230,207	247,000	247,000
Total obligations	2,680,913	2,943,000	3,043,000
Financing:			
Unobligated balance no longer available	34,087		
New obligational authority	2,715,000	2,943,000	3,043,000
New obligational authority:			
Appropriation	$2,785,000	$2,943,000	$3,043,000
Transferred to "Salaries and expenses," Forest Service (71 Stat. 13)	−70,000		
Appropriation (adjusted)	2,715,000	2,943,000	3,043,000

Object classification

		1957 actual	1958 estimate	1959 estimate
	Total number of permanent positions	439	429	446
	Full-time equivalent of all other positions	3	2	2
	Average number of all employees	388	408	419
	Number of employees at end of year	400	412	426
	Average GS grade and salary	8.0 $6,153	7.9 $6,099	7.9 $6,151
01	Personal services:			
	Permanent positions	$2,418,788	$2,513,775	$2,595,275
	Positions other than permanent	10,094	7,500	7,500
	Other personal services	4,450	13,725	14,225
	Total personal services	2,433,332	2,535,000	2,617,000
02	Travel	89,186	93,000	101,000
03	Transportation of things	3,751	4,000	4,000
04	Communication services	36,815	37,000	38,000
05	Rents and utility services	18,615	12,000	12,000
06	Printing and reproduction	19,896	22,000	22,000
07	Other contractual services	16,035	20,000	21,000
	Services performed by other agencies	3,183	4,000	4,000
08	Supplies and materials	27,170	28,000	30,000
09	Equipment	32,385	29,300	30,000
11	Grants, subsidies, and contributions		158,000	163,300
13	Refunds, awards, and indemnities	70	200	200
15	Taxes and assessments	475	500	500
	Total obligations	2,680,913	2,943,000	3,043,000

Mr. WHITTEN. We have come now to the Office of the General Counsel. In that connection, we would like pages 324, 325, 329 through 340 of the justifications included in the record at this point.

(The material referred to is as follows:)

OFFICE OF THE GENERAL COUNSEL

PURPOSE STATEMENT

The Office of the General Counsel, then known as the Office of the Solicitor, was established in 1910 when the Congress prescribed that "hereafter the legal work of the Department of Agriculture shall be performed under the supervision and direction of the Solicitor" (5 U. S. C. 518). Until April 1, 1935, the Solicitor's Office was a unit of the Office of the Secretary, at which time it was established as a separate agency of the Department. On March 17, 1955, the Secretary changed the title of the Solicitor to General Counsel with a corresponding change in the name of the Office.

The Office of the General Counsel, as the law office of the Department of Agriculture, performs all of the legal work arising from the activities of the Department. The General Counsel represents the Department in administrative proceedings for the promulgation of rules having the force and effect of law; in quasi-judicial hearings held in connection with the administration of various programs and acts; and in proceedings before the Interstate Commerce Commission involving freight rates and practices relating to farm commodities, including appeals from the decisions of the Commission to the courts. He serves as general counsel for the Commodity Credit Corporation and the Federal Crop Insurance Corporation. He reviews criminal cases arising under the programs of the Department for referral to the Department of Justice.

By special assignment of the Attorney General, the Assistant General Counsel for Litigation represents the Department in certain categories of cases before appellate courts, including the supreme courts of the States, United States court of appeals, and the Supreme Court of the United States. The General Counsel issues both formal and informal opinions on legal questions arising in the administration of the Department's programs; prepares and reviews administrative rules and regulations applicable to the public; assists in the drafting of proposed legislation; prepares, reviews, and interprets contracts, mortgages, leases, deeds, and similar documents; prosecutes patent applications for employees of the Department; examines titles to lands to be acquired by the Government or accepted as security for loans; and disposes of claims by and against the United States arising out of the Department's activities.

The legal work of the Office is carried on by 7 divisions in Washington, under the direction of the General Counsel, the Deputy General Counsel, and 4 Assistant General Counsels. The work in the field is performed by 15 field offices and 4 branch offices.

On November 30, 1957, the General Counsel's Office had 414 employees, of whom 257 were in Washington and 157 in the field.

Appropriation:	
Appropriated, 1958	$2,943,000
Budget estimate, 1959	3,043,000

Salaries and expenses

Appropriation act, 1958, and base for 1959	$2,943,000
Budget estimate, 1959	3,043,000
Increase	+100,000

Summary of increases, 1959

For legal services incident to—	
Commodity Credit Corporation activities	+$20,000
Marketing and regulatory activities	+80,000

Project statement

Projects	1957	1958 (estimated)	Increases	1959 (estimated)
1. Agricultural credit and conservation	$1,357,701	$1,479,000		$1,479,000
2. Commodity credit production and adjustment programs	660,242	749,000	+$20,000	769,000
3. Marketing and regulatory laws	432,763	468,000	+80,000	548,000
4. Agricultural research and staff legal services	230,207	247,000		247,000
Unobligated balance	34,087			
Total available or estimate	2,715,000	2,943,000	+100,000	3,043,000
Transferred to "Salaries and expenses, Forest Service"	+70,000			
Total appropriation or estimate	2,785,000	2,943,000	+100,000	3,043,000

STATUS OF PROGRAM

The Office of the General Counsel furnishes all of the legal services required in connection with the programs and activities of the Department. The Secretary, members of the Secretary's staff, and program officials are advised on legal matters which arise in connection with their work. The progress and effectiveness of the functions of the Department require legal competence with a broad appreciation and understanding of the Department and related governmental policies and programs.

This Office is responsible for interpreting existing legal authorities affecting actions or proposed actions of the Department's agencies and the application of such interpretations to the programs and operations of the Department. Because the attorneys of this Office are intimately acquainted with the operations of the Department's programs, the statutes under which they operate, and the sources of available information, they are frequently requested to prepare the many complex cases for litigation and to assist the United States attorneys in the trial thereof. In a number of appellate cases the Assistant General Counsel for Litigation presents the oral argument.

Examples of recent activities illustrative of legal work performed during fiscal year 1957 are listed below.

AGRICULTURAL CREDIT AND CONSERVATION

1. Farmers' Home Administration programs

(*a*) Advice and assistance in connection with proposals to revise existing statutory authority for the farm ownership, operating, farm housing, soil and water conservation, and emergency loan programs of the Farmers' Home Administration for the purpose of simplification of credit services available to farmers.

(*b*) Assistance was also furnished in connection with several clarifying and perfecting amendments to existing legislation, particularly with respect to the insured mortgage programs. These latter were designed to make such loans attractive to private lenders in competition with investments producing equal or higher returns.

(*c*) Legal services were performed in connection with the drafting of administrative regulations formulating the loan program under section 8 of the revised Watershed Protection and Flood Prevention Act, and the first loan applications under that section were reviewed for legal sufficiency.

(*d*) Considerable legal effort was devoted to revision and shortening of the note and mortgage forms used in the several programs and to the project of developing of single forms usable in all of the existing credit programs.

(*e*) Legal services in connection with individual loans, particularly those secured by real estate where other types of title clearance were not available, involved the examination of title evidence; and preparation of deeds, notes, mortgages and closing instructions. Important in this group of cases were the association-type soil and water conservation loans, which also involve approval of corporate organizations and proceedings in the field of private or quasi-public corporations.

(*f*) Considerable legal service was required in connection with the acceleration of program for the disposal of reserved minerals and in preparation for transfer

of jurisdiction to the Department of the Interior upon the expiration of the disposal authority of the Secretary of Agriculture.

(*g*) The principal volume of legal work on these programs related to the collection of claims and accounts, through bankruptcy and decedents' estates proceedings, suits on notes, mortgage foreclosures, actions for conversion of mortgaged property and condemnation of security for road and utility purposes. This work involved preparation of claims and pleadings, primarily in the field offices, presentment of the matter to the United States Attorney and legal assistance to him in the preparation of the case for trial. Appellate brief work was involved in several chattel mortgage conversion cases.

2. Forestry and lands programs

(*a*) Assistance to the Forest Service in connection with work under the Mineral Materials Act as amended by the act of July 23, 1955. This work included the review of 90 requests to the Department of the Interior for publication of notice to mining claimants for a determination of surface rights on selected areas and assistance in the preparation of affidavits of examination, area descriptions, certificates of examination of tract indexes, and related documents accompanying such requests; the preparation of material for use at a hearing relating to the act of July 23, 1955, held by the Mines and Mining Subcommittee of the House Committee on Interior and Insular Affairs on January 31, 1957; and the review of the results of an investigation made as a result of such hearing to ascertain the value of examining assessment records in order to find names of persons in possession of or making claims in areas examined.

(*b*) Assistance to the Department of Justice in the preparation and prosecution of civil and criminal actions, including actions arising from fire, timber, and occupancy trespasses on national forests and to prevent damage to lands and resources of the national forests and other lands administered by the Forest Service.

(*c*) Preparation and prosecution of quasi-judicial proceedings before the Department of the Interior contesting the validity of mining claims on national forest lands.

(*d*) Assistance in connection with the new Great Plains conservation program, authorized by the act of August 7, 1956 (70 Stat. 1115–1117), including active participation with the Great Plains program inter-agency group.

(*e*) Assistance in the drafting of legislation to be proposed to Congress by the Department or to be forwarded to a Member of Congress in response to his request; the analysis of proposed legislation for use in connection with the preparation of agency recommendations thereon; and the review of reports by the Department to Congress on proposed legislation. Examples of proposals in connection with which considerable work was performed include those dealing with payments to States in lieu of taxes, establishing a price reporting system for forest products, establishing a system of forest credit, national forest timber access roads, establishment of wilderness areas, and agency "housekeeping" operations.

(*f*) Assistance in the drafting or review of regulations, instructions, delegations of authority, and legal instruments, such as contracts, cooperative agreements, easements for right-of-way for radio-electronic sites, deeds, and conditions in licenses issued by the Federal Power Commission under section 4 (e) of the Federal Power Act, for use in the various programs and particularly in connection with operations under the Mineral Materials Act, Great Plains conservation program, Soil Bank Act, title IV of the Agriculture Act of 1956, Watershed Protection and Flood Prevention Act, and management of timber, and other resources of the national forests and other lands administered by the Forest Service.

(*g*) Assistance in connection with the program for assisting soil conservation districts and other local organizations under the Watershed Protection and Flood Prevention Act. This included research to determine which States have specific statutes concerning flood control and the powers of taxation and assessment of the States in connection with the watershed program; research of the laws of Puerto Rico, Alaska, the Virgin Islands, and Hawaii to ascertain the extent to which territorial law authorizes their cooperation in the watershed program; research to determine the powers of individual soil conservation districts to carry out, operate, and maintain measures for irrigation, drainage, and agricultural water management; the review of watershed work plans prepared and transmitted to Congress pursuant to the act; and a continuing review of the

several State soil conservation district laws in connection with departmental cooperation with soil-conservation districts.

(*h*) Assistance in connection with appeals under Forest Service regulations A–10 (36 C. F. R. 211.2) to Forest Service officials and to the Secretary from administrative decisions concerning national forest timber sales and grazing privileges.

(*i*) Assistance in interpretation of the Federal-Aid Highway Act of 1956 relative to availability of funds for sanitary, water, and fire control facilities on the national forests.

(*j*) Assistance in land acquisition programs conducted principally under the act of June 22, 1948, as amended (16 U. S. C. 577c et seq.) applicable to certain areas of the Superior National Forest in Minnesota, the Weeks Forestry Act, title III of Bankhead-Jones Farm Tenant Act, and the Federal Highway Act. Many easements were acquired under the latter, particularly for use in marketing national forest timber. This work consisted primarily of procuring abstracts, certificates of title, and title insurance from commercial sources; reviewing title evidence; drafting and approving title documents; preparing title opinions; and preparing declarations of taking and requests for condemnation.

(*k*) Assistance to, and review of the work of, the Interdepartmental Committee for the Study of Jurisdiction over Federal Areas within the States. This involves participation in an exhaustive, analytical exposition of the law in this field and constitutes a major addition to legal bibliography.

3. Rural utilities program

(*a*) The drafting, in connection with the increasing volume of REA telephone and electric loans, of loan contracts, notes, mortgages or deeds of trust, and supporting papers for each loan, and the review and legal clearance of the executed documents. Similar services in connection with agreements modifying payment schedules under borrowers' notes, and supplemental security instruments required to maintain the Government's security interests.

(*b*) The preparation or review of option and sale agreements, instruments of title, franchises, commission orders, ordinances, corporate proceedings, and other documents involved in REA financing of the numerous acquisitions by borrowers of existing telephone and electric systems and of contruction of new telephone and electric facilities.

(*c*) The rendering of opinions and advice with respect to the permissible limits of proposed electric or telephone loans, including those involving complex arrangements for joint financing with non-REA sources and pooling and interconnection of facilities.

(*d*) The preparation, revision or review of contracts relating to borrowers' construction, engineering services, power sales and procurement and connecting company arrangements, and legal assistance in disputes involving such contracts.

(*e*) Review and clearance of borrowers' titles to real estate, of the organization and revisions of borrowers' corporate structures, and of required orders or approvals of borrowers' activities and rates by State and Federal regulatory bodies. Assistance and advice to REA officials and borrowers' attorneys in litigation or proceedings involving these matters.

(*f*) Assistance in connection with the solution of borrowers' operating or security problems, including preparation of supplemental loan and security documents and advice to effectuate the transfer of telephone or electric properties from one borrower to another, involving the assumption of indebtedness to the Government and the assignment of loans.

(*g*) The development of new forms of supplemental mortgage or indenture to cover situations where telephone borrowers were unable to meet equity requirements.

(*h*) Assistance in negotiating and drafting contracts in connection with tentative approval by the Atomic Energy Commission of borrowers' proposals to construct nuclear electric generating plants. Similar assistance to REA in connection with the negotiation of contract revisions between electric generating and transmission borrowers and Southwestern Power Administration pursuant to congressional directives.

(*i*) Review of joint power supply or integration arrangements between electric borrowers and power companies, or State or Federal agencies, involving in some instances REA loans for facilities to be leased to or operated by the power companies or governmental agencies, as well as other types of integration of facilities, in the interests of common economies. Consideration of the effects of litigation and disputes pertaining to such integration, particularly on the advance of loan funds.

1. Price support and disposal programs

(*a*) Bulletins, announcements, instructions, regulations, notes, chattel mortgages, loan agreements, and purchase agreements used in the price-support programs were prepared or revised. Agreements with warehousemen storing commodities owned by or under loan to Commodity Credit Corporation were prepared. Legal advice was also given with respect to the preparation of contracts between the Corporation and dealers, processors, private lending agencies, and the Federal Reserve banks, which are utilized by Commodity Credit Corporation in carrying out its price-support operations.

(*b*) During the fiscal year 1957, Commodity Credit Corporation's disposal programs, including sales under Public Law 480, were greatly accelerated, resulting in a need for additional legal services. Commodities having a total value of approximately $4 billion were disposed of through such methods as commercial sales for domestic use and for export, sales for foreign currencies, noncommercial sales and transfers to other governmental agencies, barters, and exchanges. In connection with these disposal operations, announcements, and agreements were prepared, and this Office also handled the legal problems arising in connection with the processing, transporting, warehousing, and financing of commodities under these programs.

(*c*) The expansion of the programs being carried out pursuant to Public Law 480, resulted in an increased need for legal assistance. During the fiscal year 1957, 41 major agreements or supplements thereto were entered into with 31 countries for the sale of foreign currency of surplus agricultural commodities of a value of approximately $1.5 billion. This brings the total under the program to 100 agreements or supplements with 34 countries involving agricultural commodities valued at nearly $3 billion at Commodity Credit Corporation cost. By the end of fiscal year 1957, 69 projects were undertaken by the Foreign Agricultural Service in connection with programs which utilized a part of the foreign currencies derived from such sales of surplus agricultural commodities to develop new and expanded foreign markets for United States agricultural commodities. These projects involved development of program agreements, project statements, and project agreements. The agreements were entered into with United States industry associations which, in some instances, contracted with foreign industry associations for the carrying out of the projects. The varied legal problems which arose from these operations were handled by this office.

2. Section 32 and school lunch programs

(*a*) The purchase and donation, export, and diversion programs carried out under section 32 of the act of August 24, 1935, covering a number of commodities raised varied legal problems which were handled by this Office. These included the preparation or legal approval of regulations and procedures, contracts, donation agreements, and other legal instruments, and the dockets authorizing or amending the programs.

(*b*) Legal assistance was given in connection with programs for the purchase and distribution of fruits and fruit juices, vegetables, peanut butter, and pork products under section 6 of the National School Luch Act. The dockets authorizing the programs were reviewed and contracts, procedures and regulations were drafted or approved for legality.

3. Commodity Credit claims and litigation

During fiscal year 1957, claims and litigation work in connection with price-support activities and storage and disposition of extensive inventories of agricultural commodities acquired by Commodity Credit Corporation during the past several years continued at a high level.

The heavy litigation workload of the Office is indicated by the fact that new Commodity Credit Corporation cases referred to the Department of Justice and the suits filed against the Corporation totaled 636. While 684 cases involving Commodity Credit Corporation were closed during the fiscal year, there remained pending at the end of the fiscal year 1,261 cases, involving in excess of $20 million. A number of the pending cases reached the trial stage during the fiscal year and substantial work was required in assisting on such cases. There were also many requests from administrative officials for legal advice on cases which had not been referred to the Department of Justice and for assistance

in settlement negotiations. The collections on all cases during the fiscal year exceeded $2,675,000.

The number of cases arising under section 32 and the school lunch program decreased from 16 in fiscal year 1956 to 13 in the current fiscal year, with 3 new cases being referred to the Department of Justice and 6 being closed. The workload on such cases, however, actually increased during the year due to some of the pending cases reaching trial or pretrial status.

4. Production and adjustment programs

(*a*) The drafting of proposed amendments to the Agricultural Adjustment Act of 1938, as amended, Federal Crop Insurance Act, as amended, the Soil Conservation and Domestic Allotment Act, as amended, and the Sugar Act of 1948, as amended.

(*b*) The drafting of regulations in connection with marketing quota programs affecting cotton (both Upland and extra long staple), wheat, peanuts, rice, and tobacco (including burley, flue-cured, cigar-filler and binder, fire-cured, dark air cured and Virginia sun-cured and Maryland), the acreage allotment program for corn in connection with price supports, programs carried out under sections 7 to 17, inclusive, of the Soil Conservation and Domestic Allotment Act, as amended, and the programs for sugar under the Sugar Act of 1948, as amended.

(*c*) Legal assistance was furnished in connection with many administrative hearings before review committees appointed by the Secretary of Agriculture for review of acreage allotments and marketing quotas, and in connection with judicial review of review committee determinations. These activities included the preparation for and presentation of evidence before the review committees, and the preparation of necessary pleadings and records to be filed in court by the review committees and the drafting of briefs and legal memoranda for use of United States attorneys in defending review committee action. Also, large numbers of review committee determinations were examined for legal sufficiency. Assistance was also furnished in respect to a number of public hearings in the administration of the Sugar Act.

(*d*) The workload in connection with tobacco, peanut, cotton, and wheat marketing quota penalties continued to be heavy. From 1954 to June 1, 1957, penalty cases involving these commodities of the 1954, 1955, and 1956 crops, which had been referred to this office, totaled 2,091. A substantial number of these cases were disposed of without reference to the Department of Justice, usually through collection effected by demand letters. However, 1,225 were referred to the Department of Justice for legal action and assistance to that Department in the handling of these cases included the preparation of pleadings, the drafting of briefs and legal memoranda, and assisting in trials and hearings.

(*e*) The drafting of regulations and contracts in connection with crop insurance programs, the collection of delinquent crop insurance premiums and the preparation of defense of numerous suits against the Federal Crop Insurance Corporation for indemnities.

(*f*) Considerable time was devoted during the fiscal year to assisting the Department of Justice in the defense of important cotton litigation growing out of the handling of the Texas State cotton acreage reserve, which included over 700,000 acres of cotton allotment. One case, *Hawkins et al.* v. *State Committee*, was successfully defended in the United States district court at Houston. This case has been appealed to the fifth circuit. Another case, *Fulford* v. *Forman et al.*, was successfully defended in the United States district court at Lubbock and in the United States Court of Appeals for the Fifth Circuit. Two other cases are now pending in the United States District Court for the District of Columbia.

MARKETING AND REGUATORY LAWS

1. Agricultural marketing service programs

(*a*) During the fiscal year 1957 formal hearings were held in connection with 6 proposed new milk orders and 44 amendments to existing milk orders, and 14 hearings were held in the fruit and vegetable and miscellaneous field. One fruit and vegetable program was terminated and two milk orders were consolidated with other existing milk orders. Three new milk orders and three new fruit and vegetable orders were made effective resulting in 103 programs (67 milk and 36 fruit and vegetable, etc., field) at close of the fiscal year, a new high in the number of programs being serviced. The number of active programs has increased each fiscal year since 1949 when there were only 54 active programs.

The total increase amounting to over 100 percent in milk orders and over 50 percent of fruit and vegetable and related orders. Sixty amendments to existing orders were promulgated and certain provisions of orders were suspended or terminated by 40 such actions. At the close of the fiscal year, proceedings in connection with eight new programs were pending in various stages of completion.

During the 1957 fiscal year, a very extensive hearing was held in New York and New Jersey covering approximately 103 hearing days and resulting in an amendment to the New York milk order expanding its territory and coverage to large segments of upstate New York and New Jersey. This hearing and the legal problems associated with it, required an unusual amount of legal service relative to the New York milk program. It is also expected that the somewhat controversial expansion of the New York milk order to this new territory may result in greater than usual enforcement and legal review litigation within the next fiscal year.

There are now pending 61 court and 22 administrative quasi-judicial proceedings involving important issues requiring comprehensive, factual, and legal analysis and presentation before judicial and administrative tribunals. It is expected that the number of such proceedings will continue at a high level because of the increasing number of programs to be serviced.

(*b*) Under the Perishable Agricultural Commodities Act, 243 reparation cases were instituted and 209 such cases disposed of during the fiscal year 1957. There were 180 such cases pending at the end of the year as compared with 146 such cases pending at the end of fiscal year 1955. In addition, 14 disciplinary cases were disposed of during the year. Such disciplinary cases required a considerable amount of work in connection with the preparation of pleadings, presentation of evidence and briefing and argument after hearing, and the volume of such cases has tended to increase in recent years.

(*c*) The increase in voluntary and mandatory use of official standards in commerce continued to result in the promulgation of standards for additional new commodities and more frequent amendments to existing standards and an increase in the legal work required. At the end of the fiscal year 1957, over 460 such official standards were effective, excluding tobacco.

During each fiscal year additional new official standards are issued and standards are revised or amended. At the close of the fiscal year 1957, a number of rulemaking proceedings relating to the issuance or amendment of such standards were pending. The increase in the importance of the inspection service in the conduct of business and in price determination has resulted in greater importance being attached to administrative proceedings in matters of denial of inspection service. During the year legal services were required in connection with litigation relating to denials of service and some of this litigaton was pending at the close of the fiscal year.

(*d*) The number of cases arising under the Packers and Stockyards Act, 1921, was approximately the same as in the previous fiscal year. During fiscal year 1957, approximately 200 additional stockyards were posted. This represents an increase of over 50 percent in the number of stockyards regulated under the act and results in hundreds of additional market agencies and dealers becoming subject to the act. In addition, the Department is making various important investigations of monopolistic practices by persons subject to the act and market-wide investigations of trade practices which will result in a substantial volume of important and complicated administrative and court proceedings and other legal work. A considerable volume of legal work was performed during the fiscal year in connection with legislative proposals relating to this activity.

(*e*) The workload under the animal quarantine laws substantially increased during fiscal year 1957. Approximately 165 cases were submitted to the office during the fiscal year for consideration of criminal prosecution. Sixty-two cases were forwarded to the Department of Justice. At the end of the fiscal year the office had on hand approximately 180 cases which had not been forwarded to the Department of Justice either because of the necessity for further investigation or the limited personnel available to prepare the cases. This represents an increase of over 100 cases as compared to the cases on hand at the beginning of the fiscal year. The volume of work in connection with legislative proposals relating to animal quarantine activities was also heavy during the fiscal year. It is anticipated that substantial additional enforcement activities will result from the new program relating to brucellosis which is now entering its active enforcement stage.

AGRICULTURAL RESEARCH AND STAFF LEGAL SERVICES

1. Staff legal services:

(*a*) This office helped to investigate and consider a Department of Justice report alleging that California Almond Growers Exchange had violated the Capper-Volstead Act by exerting monopoly power to unduly enhance the price of almonds in 1955–56 and concluded that there was no substantial evidence to support the charge.

(*b*) The volume of tort claims and tort litigation has continued to increase, and the issues are becoming increasingly difficult to resolve in the light of decisions by the Supreme Court of the United States during the year. Direct recognition had to be given to a large number of Federal court decisions, including Supreme Court rulings, substantively affecting our determinations. Tort claims settled under the delegated administrative authority totaled 113 during the 1957 fiscal year. Cases initiated in the courts and in which participation by this office was required totaled 27 during the 1957 fiscal year. In addition, there were numerous legal determinations made of claims under the special Forest Service claims authorities of 1930 and 1931.

(*c*) This office gave extensive consideration to problems resulting from hearings of contractors' appeals, including a review of the Department's regulations. Representatives of this office acted as legal advisers to the Board in the hearings of such cases.

(*d*) This office considered and sought rulings from other Government agencies on questions of applicability of various laws and legal principles to persons employed by market administrators, marketing administrative committees, Extension Service, and county conservation committees.

(*e*) The Russell case (action by the United States against the estate of Russell, a former employee, to secure assignment of a patent granted to Russell on discovery he made during employment) was decided, on appeal in favor of the Government. Certiorari to the Supreme Court was denied.

(*f*) During the fiscal year, 120 new patent cases were submitted to the office and action was taken in 101. About 300 applications were prosecuted through various stages in the Patent Office, 73 of which were granted as patents. Four interferences were declared and two pending interferences completed.

2. Research

(*a*) During the year this office assisted, as requested, the Agricultural Research Service in performing services for the Commission on Increased Industrial Utilization of Agricultural Products, and reviewed and gave advice on the recommendations contained in the Commission's interim report.

(*b*) Unique problems resulting from offshore location of the Plum Island Animal Disease Laboratory were considered, including questions involving subsistence of employees, schooling of children, and transportation of employees.

Mr. WHITTEN. Mr. Farrington, we would be glad to have your general statement. We trust you will give particular attention to the $20,000 increase for CCC activities and $80,000 increase requested for marketing and regulatory activities.

Mr. FARRINGTON. We will try and do that, Mr. Chairman.

GENERAL STATEMENT

Mr. Chairman and members of the committee, we appreciate this opportunity to discuss with you the 1959 budget estimates for the Office of the General Counsel.

1959 ESTIMATE

The budget recommends an appropriation of $3,043,000 for 1959. This is an increase of $100,000 over the current year. It is requested to meet the needs for increased legal services for Commodity Credit Corporation and the marketing and regulatory programs.

COMMODITY CREDIT PROGRAMS

Of the increase $20,000 is to provide additional legal services required in connection with the programs of CCC. Our present staff is unable to respond adequately to all demands that are made upon it for such legal services.

The expanded export programs of CCC through sales for foreign currency, export subsidies, barters and sales for dollars has added considerably to our workload.

In addition, there has been a marked increase in the volume of CCC cases in litigation and the number of requests made by the United States attorneys for active assistance in the handling of these cases after referral to them.

In fiscal year 1954, 383 new CCC cases (including those in which suits were filed against the Corporation) were referred to the Department of Justice; in 1955, 423 such cases were referred; in 1956, 701 were referred; and in 1957, 636 were referred. Referral of a case whether the claim is by or against CCC, generally involves a great deal of work. It requires the obtaining of all needed evidence and documentation, the preparation of an analysis of the facts, the legal issues and applicable law, and the drafting of a form of civil complaint or other pleadings or motions as appropriate.

In many instances, the work done in referral of a case to the Department of Justice is but a small part of the total work performed by this office on the case. Because of the specialized knowledge attorneys in this office have concerning CCC operations and the various statutes, regulations, contracts, etc., under which the Corporation conducts such operations, the United States attorneys and the Department of Justice call upon this office for active assistance in the preparation for trial and the actual trial of a large number of CCC cases, particularly those which are factually complex or raise important or difficult legal issues.

Trial work involves not only full participation in the trial itself but also participation in pretrial conferences, the preparation and argument of motions, the preparation of stipulations and briefs, the preparation and answering of interrogatories, taking of depositions, interviewing of witnesses, and preparation of a complete trial brief. With our present staff, we are unable to do this very important and time-consuming work and, at the same time, to avoid undesirable delays in the handling of other necessary work for CCC.

MARKETING AND REGULATORY PROGRAMS

The increased activity in the marketing and regulatory programs will result in more demands for legal services. This is particularly true in respect to the Packers and Stockyards Act, the new program for compulsory inspection of poultry and marketing orders and agreements. An increase of $80,000 is requested for these activities in 1959.

PACKERS AND STOCKYARDS ACT

The work in connection with this activity is increasing as a result of the Department's expanded program aimed at posting all eligible stockyards and the investigations of alleged monopolistic practices by persons subject to the act.

Only 352 yards were posted as of July 1, 1956. It is no estimated that 775 yards will be posted by June 30, 1959. This will mean that the number of posted yards will have more than doubled in this 3-year period. Hundreds of additional market agencies and dealers will be brought under the jurisdiction of the act, resulting in a substantial increase in the number of rate and disciplinary proceedings.

The Department's marketwide investigations of trade practices by persons subject to the act are resulting in many important and complicated problems requiring legal attention, including protracted adversary proceedings.

Disciplinary proceedings under this act involve complaints against persons for violations to determine if a registration should be suspended or cease and desist orders be issued. Since the results of the proceedings have a direct effect upon a man's business they are usually contested vigorously.

This type of proceeding is particularly involved factually and legally, requiring preparation for trial, and posttrial work over extended periods of time.

During the first 6 months of fiscal year 1958, there have been received 8 additional packer cases together with other disciplinary actions. It is estimated approximately 80 proceedings will be filed during 1958. This figure includes an estimated additional 8 to 10 packer cases. Due to expanded enforcement activities and additional posting of stockyards, it is believed that this increase in the number of cases will continue through 1959.

COMPULSORY POULTRY INSPECTION

Public Law 85–172, passed in the last session of the Congress, authorized a new program for the compulsory inspection of poultry and poultry products moving in interstate commerce or in major consuming areas that might be designated by the Secretary after a hearing. Hundreds of plants throughout the country processing poultry and poultry products will become subject to the provisions of the act. The initiation and servicing of this program will require legal assistance in rulemaking, public hearings to designate major consuming areas, adjudicatory proceedings, analysis of the investigation reports to determine if the cases warrant referral to the Department of Justice for criminal prosecution, and legal opinions construing the statute and regulations issued thereunder.

MARKETING ORDERS AND AGREEMENTS

It has been extremely difficult with the present staff to furnish the minimum legal assistance necessary to administer the orders now in effect. Last fiscal year formal hearings were held regarding proposals for 6 new milk orders and 44 amendments to existing milk orders. Fourteen hearings were held in connection with fruit, vegetable, and miscellaneous orders.

The number of orders requiring servicing and legal attention has increased each fiscal year since 1949 when there were only 54 active programs. At the close of fiscal year 1957 there were 103 programs (67 milk and 36 fruit, vegetable, and related orders). As of February 1, 1958, 4 additional orders had been issued (2 milk and 2 vegetable) and 1 order terminated (pecans), resulting in a new record total

of 106 programs. As of February 1, 1958, hearings had been held on 7 more new programs (6 milk and 1 vegetable) and 10 other new programs (8 milk and 2 fruit) were under active consideration. In addition to the new orders issued or proposed to be issued since July 1, 1957, hearings have been held, or are contemplated, to expand the marketing areas of several existing milk orders.

With the new proposed programs on which hearings have been held or where active consideration is now being given, it is reasonable to expect that the progressive increase in the number of orders which have been initiated in recent years will continue through fiscal years 1958 and 1959.

Undue delays in enforcement actions under the marketing and regulatory programs impair the effectiveness of the programs; and, therefore, the inability to handle these matters promptly is a matter of concern not only to the Department but to the individuals regulated and for whom the programs are intended to benefit or regulate and could result in costly and time-consuming litigation. In this regard, the backlogs in other regulatory programs resulting from the necessary priority given to the above programs has become a matter of concern.

RECRUITING ATTORNEYS

Our policy is to recruit new attorneys at the GS–7 level, and to promote them as their competence increases through training and experience in our work. We have mentioned before the difficulty in finding promising young graduates who were interested in agriculture. Beginning late in December, however, the number of inquiries from students graduating in February and June of this year tripled over the same period last year. Students from as far as Minnesota and Wisconsin have visited Washington. The caliber of law student interested in Government employment is considerably higher. We again are receiving inquiries from law review students, honor students in undergraduate work, including a few members of Phi Beta Kappa. I feel confident that the number of well-qualified applicants will greatly exceed our needs, permitting us a degree of selectivity we have not enjoyed in recent years.

My associates and I will try to answer any questions that you may have.

EMPLOYMENT

Mr. WHITTEN. Mr. Farrington, how many professional people do you have on your rolls now, and how many clerical?

Mr. FARRINGTON. We had 196 professional and 212 nonprofessional on January 31, 1958.

Mr. WHITTEN. I would like the record to show the average grade and salary in each of these activities in the last 5 years.

How many new people do you contemplate employing if this additional money is allowed?

Mr. FARRINGTON. Mr. Bawcombe has that right here, Mr. Chairman. We have in mind employing 9 professionals and 8 nonprofessionals.

(The information referred to is as follows:)

Salaries and expenses—Average grade and salary of Classification Act employees

	Professional			Nonprofessional			Total		
	Number	Average salary	Average grade	Number	Average salary	Average grade	Number	Average salary	Average grade
June 30, 1953	207	$7,784	12.1	215	$3,625	4.1	422	$5,665	8.0
June 30, 1954	183	8,069	12.3	199	3,690	4.2	382	5,784	8.1
June 30, 1955 [1]	182	8,702	12.3	198	3,940	4.3	380	6,221	8.1
June 30, 1956	188	8,792	12.4	212	3,973	4.3	400	6,238	8.1
June 30, 1957	193	8,731	12.4	220	3,987	4.3	413	6,204	8.1
Jan. 31, 1958	195	8,797	12.8	212	3,989	4.5	407	6,293	8.3

[1] Federal Employees Salary Increase Act of 1955 was effective Mar. 13, 1955.

Mr. WHITTEN. This GS–7, what salary does that carry?
Mr. FARRINGTON. $4,525. That is the starting salary.

ORGANIZATION

Mr. WHITTEN. Each time we pass some new law you have to have more people in the legal fraternity to handle it, at least we end up with the request. How do you have your organization set up? Normally, as you will recall, we had attorneys carried by the REA, and various other activities had their own legal staffs. They, as I recall it, were paid for by the agencies from their own appropriations. Some years ago we consolidated all the attorneys into the Counsel's Office. How do you set up your own organization, as far as meeting these specialized fields?

Mr. FARRINGTON. We have tried to organize our office as nearly as we could, Mr. Chairman, along the same lines as the Secretary's Office and the Assistant Secretaries of Agriculture. For example, we have the General Counsel, then we have the Deputy General Counsel, who serves as full alternate to the General Counsel and also directs the legal work of the Commodity Credit Corporation and the production and adjustment activities. Soil conservation (sec. 32, Public Law 480, etc.).

We have the Assistant General Counsel for Agricultural Credit and Conservation who supervises the work for Farmer's Home Administration, forestry and lands, and Rural Electrification Administration. We have an Assistant General Counsel for Marketing and Regulatory Laws who handles all the marketing agreements and general regulatory functions. We have an Assistant General Counsel for research, who supervises the legal work for all the research agencies, and handles staff legal services, which includes our various personnel questions, tort claims filed against the Government and all of the housekeeping functions that have legal questions involved in them.

And then we have one Assistant General Counsel who handles litigation in the appellate courts and the Supreme Court, and who is pretty much a circuit rider handling cases on appeal which arise out in the field.

UTILIZATION OF ATTORNEYS

Mr. WHITTEN. Now it is understandable that the type and class of work would differ by reason of the difference between Commodity Credit Corporation activities, REA operations, or Farmer's Home

operations. But one of the reasons for consolidating the attorneys into one office was the fact that you would have available to you your personnel for wherever the workload might be.

I can see readily the need there. But what effort or provisions do you make for having a pool of lawyers, as you might call it, which would be readily assignable to that division where the workload might be heavier and would be taken from the area where the workload might be light? Do you have that provided for?

Mr. FARRINGTON. Yes; we make frequent details and reassignments to take care of unusual workloads. If one division gets considerably busier than the other we may pull attorneys or work out of it and have it sent to others. We watch that very closely. We have frequent meetings of our Deputy and Assistant General Counsels and the Chiefs of the various Divisions who give us reports on their work. I would say there is a minimum of lost motion in our office.

Mr. WHITTEN. Do you limit yourself by the man who complains when the workload is heavy, and getting behind, he feels free to advise you that he needs some help?

Mr. FARRINGTON. He goes to his particular Assistant General Counsel. And of course the secretaries for the Assistant General Counsel know pretty well all the time just what the workload is for each man. I can assure you there is a minimum of lost motion as far as that is concerned.

SOIL BANK PROGRAM

Mr. WHITTEN. Mr. Marshall.

Mr. MARSHALL. Mr. Farrington, the notice appeared in the Federal Register notifying people who wished to participate in the acreage reserve part of the soil bank that they would be received and accepted on a first-come-first-served basis. Did the Solicitor's Office make an interpretation such as that in connection with the acreage reserve part of the soil bank prior to being placed in the Federal Register?

Mr. FARRINGTON. I am sure we approved the notice, Mr. Marshall, we do approve all notices of that character put in the Register.

Mr. MARSHALL. Do you feel that that was in line with the intent of the law?

Mr. FARRINGTON. Well, if I understand the act, it requires that the Secretary will give reasonable notice, and it seems to me that that is reasonable notice.

Mr. MARSHALL. Is it reasonable notice that first-come-first-served will be accepted?

Mr. FARRINGTON. Yes.

Mr. MARSHALL. Is that dividing the benefits of the program up in the way that Congress intended?

Mr. FARRINGTON. Well, of course, some questions may be raised about some phase of most any administrative procedure. It has been my understanding that in many cases and in some areas all of the money in some of these crops hasn't been allocated. I see no reason to question the first-come-first-served plan as providing a fair and reasonable opportunity to participate in the program. That same procedure was followed last year. I believe it was brought to the attention of all farmers in press releases. And I see no legal question about the procedure, sir.

REA LOANS

Mr. NATCHER. As you well know, the President in his budget message to Congress this year has again pointed out the interest rates to REA and other agencies who use money borrowed from the Government in operating throughout the United States. As the General Counsel for the Department of Agriculture, do you now have underway any study or investigation concerning increased interest rates for REA?

Mr. FARRINGTON. No, Mr. Natcher, we have no study underway. There has been a revised bill prepared for Rural Electrification Administration which in some respects and in some parts of it deals with interest rates, but not on appropriated funds. That bill, I understand, will be discussed with this committee by the administrative people. But aside from the writing of that bill is concerned, I know of no study.

Do you, Mr. Mynatt?

Mr. MYNATT. No, I do not.

Mr. NATCHER. In other words, Mr. Farrington, as General Counsel you and the members of your staff have only been called upon to advise concerning proposed legislation?

Mr. FARRINGTON. That is correct, sir.

Mr. NATCHER. That is all, Mr. Chairman.

ACREAGE RESERVE AGREEMENTS

Mr. WHITTEN. Could I interrupt here for a moment?

I wonder if you would supply the committee with a copy of that statement as it appeared in the Federal Register. Do you remember the date that it appeared?

Mr. FARRINGTON. Mr. Chairman, I don't remember the date, but I can find it very promptly when I get back to the office.

Mr. WHITTEN. If you would supply it to the committee we will place it in the record.

Mr. FARRINGTON. We will be very happy to do it.

Mr. WHITTEN. I was interested in your statement to Mr. Marshall that the law requires such notice. But it also requires that it shall be on such basis as to give each of the producers a fair and equitable opportunity to participate in the acreage reserve program. Now, in view of Federal Register notice, you said that you had lived up to that law when you agreed to handle it first come, first served. Haven't you set out to invite a riot when you announce any such thing as first come, first served?

The other thing that I would like to call to your attention is that this first-come, first-served notice was sent to the counties after those people lined up attempting to sign. In other words, the Department didn't follow up—I don't know the date of your order—in the Federal Register. It doubtless came late, too. Certainly, the notice out of Washington went out on a first-come, first-served basis long after the folks had received their notice that they had until March 7 to sign up.

I just can't believe that you, as a lawyer, if you will study this matter, can end up with any feeling that a first-come, first-served notice protects a farmer in his right to a fair and equitable opportunity to participate. As I have said, it is apparent that the number that want to

sign is twice the number who can be signed, and any such decision as you render would be in the nature of inviting a riot. Everyone can't be first.

Mr. FARRINGTON. I will be very happy, Mr. Chairman, to find the date of the notice in the Federal Register and the date it went out. Now, this question was discussed before, as you will recall, Mr. Chairman, in the hearing on the supplemental for CCC. I want to point out that in weighing the question of legality of this matter I believe it is appropriate to mention that the same procedure was followed last year, and as I understand it, worked very well; there was no problem.

Mr. WHITTEN. Banks are held up each year, and it doesn't keep all of them from being violations of the law. The signup last year was far less than the amount of money, and the fact that you followed this course 2 or 3 times doesn't necessarily make it legal. I believe, if you will read that law again, that it will be mighty difficult for you to come up with any affirmative statement that the producers had fair and equitable opportunity to participate in the acreage reserve program.

I say again that that notice didn't go to him until he was already lined up in front of the place trying to get in.

I don't care to pursue it further, but I wish you would give some study to this matter, because it is highly important.

(The information requested is as follows:)

The rule under which acreage-reserve agreements are approved on a first-come, first-served basis was published August 10, 1957, as section 485.309 (d) of the original 1958 acreage reserve regulations (22 F. R. 6397), and was included in instructions and literature distributed to the field. This section reads as follows:

"(d) *Orders of approval of agreements.*—To the extent of funds allocated to a county, agreements shall be approved on a first-come, first-served basis, i. e., in the order in which they are filed with the county committee."

The section was amended in December 1957 (22 F. R. 10681), to give priority to producers who, in 1957, had placed their entire farm in the acreage reserve and conservation reserve programs.

As the only practical method of operation, the first-come, first-served rule was also in effect in 1957.

In light of our experience under the 1957 program, and the new $3,000 limitation on participation under the 1958 program, no maximum acreage limitations were established at the Washington level. State committees, however, were authorized by section 485.377 of the regulations published December 3, 1957 (22 F. R. 9644), to adopt maximum acreage limitations if determined to be necessary in order to give producers a fair and equitable opportunity to participate in the program or to prevent serious adverse effect on the economy of a county or area.

No farm limits were established by the State committees. When it unexpectedly developed that there were more applications than could be approved, State committees were instructed to proceed on a first-come, first-served basis either with no farm limits as originally announced or with farm limits established by the State committee pursuant to the authority contained in the regulations.

Mr. WHITTEN. Mr. Santangelo.

Mr. SANTANGELO. Mr. Farrington, with regard to the reduction or division of acreage for the purpose of qualifying under the acreage reserve program, you made the statement that if it appears in violation of the law, that you would take some action. May I ask you: Is there anything that you know of in the law which prevents or prohibits a member of the family from dividing his acreage in two, so that each one can be a producer and each one qualify?

Mr. FARRINGTON. Well, I would like to have Mr. Shulman, who handles that directly respond to it, Mr. Congressman.

I may say this, though, that we have issued regulations on this very question. I believe we have issued regulations which outlined the circumstances in which approval will be given to such division. And I should think that divisions contrary to those regulations in which a misrepresentation is made might give a basis for violation.

Mr. SANTANGELO. Given the set of facts which I just posed to you, such as members of the family dividing up their land, and each one is a producer, is there any provision which says that a division of land between members of the family is in violation of any regulation or would disqualify the person from qualifying?

Mr. FARRINGTON. Well, there is a regulation—and I am not familiar enough to quote it, sir—which places a limit on the time in which these divisions may be made for the purpose of participation in the soil bank. And if it was made after that time when the $3,000 limitation was woven into our regulations, it might be a violation of law, sir. I would want to look at it.

Mr. SANTANGELO. I know that you have introduced the regulation which said that if any person does something which tends to violate the intent of the statute, that he may be disqualified, and not be eligible to participate in the program. Now, supposing there is a farmer who dies leaving his estate to a group of members of the family, and they divide their properties, and they divide it equally, and each one qualifies. Now, under those circumstances, is there any regulation which would prohibit such a group of people from sharing or entering in the program?

Mr. FARRINGTON. I would like to look at that question, sir, in the light of all the facts, and after refreshing my recollection on the regulation. If we felt there was a violation, it would be referred by us to the Department of Justice, who would have the final say on whether there was a violation of law, although if we felt there was one we would send it to Justice for prosecution.

Mr. SANTANGELO. Apparently there isn't any violation, because all those people qualified and shared in the payments of the program. As of today there hasn't been anything done to say that a division of properties is contrary to a regulation.

Mr. Chairman, that report you were reading from was up to last year, was it not?

Mr. WHITTEN. Yes. It was for 1957. And may I say, I was reading from the report of our investigators, which showed that some of the rates were equivalent to the value of the land, which is an incentive for a man with a lot of land to get around the $5,000 limitation if he can do so.

On the face of it, where a landowner transferred some of it to members of his family, which would be for the purpose of getting around the $5,000 limit, whether that is in violation of the law, I will say to the gentleman from New York, "I don't know myself, but, on the face of it, it is the kind of thing that should be looked into, because, if it is, it is done for the purpose of getting around the limitation."

Mr. SANTANGELO. I think that a regulation should be promulgated indicating that if anything is done like that in the future it would disqualify the person from entering the program. I think warning

should be given to them, so that the program can be carried out without any violation.

Mr. FARRINGTON. I believe we have regulations on it.

Mr. WHITTEN. May I say that the Department of Justice would not take any criminal action, but, if the money is illegally paid out, it should be recovered. If that is illegal, we should stop any payments in the case. I don't know that there is any law which would prevent you from doing it, but it looks like it was done.

Mr. SANTANGELO. It appears there was an attempt to circumvent the regulations to get as much out of it as they could.

Mr. HORAN. I was just reading the conference report, and we had this to say, and this concurred with my own remembrance of the action:

> The managers on the part of the House intend to offer a motion to receive and concur with an amendment limiting payments to any one producer to $3,000 instead of $2,500 as proposed by the House and $5,000 as proposed by the Senate.

My own thinking in the matter was that, if a man owned 30 farms and he had a producer on each one of them, the producers would be eligible for acreage reserve. But it would seem to me that, if the division occurred after this became law, why, then, it would be an attempt to circumvent the intent of the law.

Mr. WHITTEN. Would the gentleman yield to me? I would like to say that the illustrations which I cited had to do with the conservation reserve rather than the acreage reserve. In the conservation reserve, the Department has a limit of $5,000 per individual.

Mr. HORAN. I think the same principle would apply.

Mr. WHITTEN. It is the same principle.

Mr. FARRINGTON. In either case, where there has been collusion and an arrangement to circumvent the law, if there is a violation we will certainly proceed against whoever is involved.

Mr. WHITTEN. The amount of compensation, the amount of payment for this land, on the face of it, raises some serious questions.

Mr. FARRINGTON. It certainly does, Mr. Chairman.

Mr. WHITTEN. As to the bona fide transfer, it certainly raises a question.

Mr. Farrington, we wish to thank you again for your appearance here, and that of your associates. We haven't bothered to call on them in this case. But, when we differ with you about the law, we will call on them. That is it for today.

THURSDAY, FEBRUARY 20, 1958.

FOREIGN AGRICULTURAL SERVICE

WITNESSES

DON PAARLBERG, ASSISTANT SECRETARY OF AGRICULTURE
GWYNN GARNETT, ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE
RAYMOND A. IOANES, DEPUTY ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE
W. A. MINOR, ASSISTANT ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE
GUSTAVE BURMEISTER, ASSISTANT ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE
GORDON O. FRASER, ASSISTANT ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE
ROBERT C. TETRO, ASSISTANT ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE
THOMAS E. MORROW, DIRECTOR, BUDGET AND FINANCE DIVISION, FOREIGN AGRICULTURAL SERVICE
CHARLES L. GRANT, DIRECTOR OF FINANCE AND BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

SALARIES AND EXPENSES

Program and financing

	1957 actual	1958 estimate	1959 estimate
Program by activities:			
1. Analysis of foreign agriculture and trade	$1,076,581	$1,176,800	$1,176,800
2. Agricultural attachés	2,613,643	2,825,500	2,825,500
Total obligations	3,690,224	4,002,300	4,002,300
Financing: Unobligated balance no longer available	34,776		
New obligational authority	3,725,000	4,002,300	4,002,300
New obligational authority:			
Appropriation	$3,750,000	$4,002,300	$4,002,300
Transferred to "Salaries and expenses, Forest Service" (71 Stat. 160)	−25,000		
Appropriation (adjusted)	3,725,000	4,002,300	4,002,300

Object classification

	1957 actual	1958 estimate	1959 estimate
Total number of permanent positions	442	433	417
Full-time equivalent of all other positions	8	5	5
Average number of all employees	392	391	391
Number of employees at end of year	429	407	407
Average GS grade and salary	9.4 $7,059	9.4 $7,061	9.4 $7,061
Average salary of ungraded positions	$2,211	$2,340	$2,388
01 Personal services:			
Permanent positions	$2,265,103	$2,309,100	$2,309,100
Positions other than permanent	22,445	13,100	13,100
Other personal services	226,375	255,100	255,100
Total personal services	2,513,923	2,577,300	2,577,300
02 Travel	247,709	340,200	340,200
03 Transportation of things	122,239	144,500	144,500
04 Communication services	29,327	30,200	30,200
05 Rents and utility services	43,462	50,200	50,200
06 Printing and reproduction	95,019	85,400	84,400
07 Other contractual services	43,008	51,600	51,600
Services performed by other agencies	526,418	516,600	516,600
08 Supplies and materials	21,092	23,500	23,500
09 Equipment	47,084	40,100	35,100
11 Grants, subsidies, and contributions		141,700	147,700
15 Taxes and assessments	943	1,000	1,000
Total obligations	3,690,224	4,002,300	4,002,300

Informational Foreign Currency Schedule

Foreign Currency, Agricultural Trade Development and Assistance Act of 1954

[All amounts stated in United States dollar equivalents]

Program and financing

	1957 actual	1958 estimate	1959 estimate
Program by activities: Market development projects (total obligations)	$5,300,317	$8,978,640	$10,000,000
Financing:			
Unobligated balance brought forward	−9,906,421	−7,899,800	−2,927,941
Adjustment due to changes in exchange rates to permit conversion to dollar equivalent	566,404		
Unobligated balance carried forward	7,899,800	2,927,941	6,988,683
Unobligated balance no longer available		1,683,421	
Authorization to expend foreign currency receipts (7 U. S. C. 1704)	3,860,100	5,690,202	14,060,742

Object classification

	1957 actual	1958 estimate	1959 estimate
Total number of permanent positions	16	32	32
Full-time equivalent of all other positions		1	1
Average number of all employees	8	26	32
Number of employees at end of year	13	31	31
Average salary of ungraded positions	$1,880	$2,145	$2,145
01 Personal services:			
Permanent positions	$15,568	$54,100	$66,700
Positions other than permanent		1,350	1,630
Other personal services		50	70
Total personal services	15,568	55,500	68,400
02 Travel	75,521	125,000	135,000
03 Transportation of things	7,309	9,000	9,500
04 Communication services	4,539	7,000	7,500
05 Rents and utility services	48,473	60,000	65,000
06 Printing and reproduction	23,936	25,000	27,500
07 Other contractual services	5,053,464	8,578,040	9,554,800
Services performed by other agencies	51,363	88,000	98,000
08 Supplies and materials	18,962	29,000	32,000
09 Equipment	1,182	2,100	2,300
Total obligations	5,300,317	8,978,640	10,000,000
ANALYSIS OF EXPENDITURES			
Obligated balance start of year	$874,855	$4,175,828	$4,654,468
Obligations incurred during the year	5,300,317	8,978,640	10,000,000
Obligated balance end of year	−4,175,828	−4,654,468	−5,054,468
Expenditures	1,999,344	8,500,000	9,600,000

Mr. MARSHALL. The committee will come to order. We are pleased to have before us representatives of the Foreign Agricultural Service.

At this point we will insert pages 85, 87, and 89 through 108 of the justifications.

Mr. Secretary, do you have a statement you wish to make?

(The material referred to is as follows:)

FOREIGN AGRICULTURAL SERVICE

PURPOSE STATEMENT

The Foreign Agricultural Service administers the foreign agricultural programs of the Department and develops plans and policies related to the administration of the foreign affairs and interests of United States agriculture. It disseminates to American agriculture the basic information essential to agressive foreign marketing of United States agricultural products and to making necessary adjustments to meet changing situations abroad. The Service works in the following fields:

Foreign market development.

The Service conducts a broad program designed to develop foreign outlets for agricultural products and analyzes competition and demand factors relating to foreign marketing. It administers export programs, including programs under the Agricultural Trade Development Act of 1954 and related authorizations, as well as import programs and controls. The Service represents the Department at international commodity conferences and on foreign commodity matters at national conferences. Work directly related to the development of foreign markets is financed from funds allotted to the Service under the appropriation "Removal of surplus agricultural commodities" pursuant to section 32 of the act of August 24, 1935, as amended, and with foreign currencies accruing from sales of agricultural commodities under section 104 (a) of Public Law 480, approved July 10, 1954.

Foreign agricultural trade and analysis

The Service directs and coordinates the continuous economic analysis and interpretation of world conditions and developments that significantly affect the

retention and expansion of foreign markets for American products. It analyzes and interprets world trends in foreign agricultural products, trade, price, finance, consumption, and economic policies of foreign governments as such trends affect United States foreign agricultural trade. It analyzes the effects of restrictive trade policies on the demand for American farm products and develops and coordinates the basic policies and programs for the removal or easing of restrictions and for the encouragement of world trade in American agricultural products. The Service participates in agricultural international organizations and trade conferences.

Agricultural attachés

The Service directs and coordinates a worldwide agricultural attaché service with particular emphasis on the development of markets for American products, and on trade reporting from foreign areas designed to aid American farmers and exporters.

Assistance to International Cooperation Administration

The Service also participates in the administration of the agricultural portion of the foreign assistance program with funds allocated from the International Cooperation Administration. This work includes coordination of the Department's participation in the program and direction of the training program for foreign agricultural leaders, and the providing of technical information and advice in connection with the operation of the agricultural technical assistance program in foreign countries.

Salaries and Expenses
and
Removal of Surplus Agricultural Commodities (Allotment)

	Salaries and expenses	Removal of surplus agricultural commodities (allotment)	Total
Appropriation or allotment, 1958 and base for 1959	$4,002,300	$2,094,000	$6,096,300
Budget estimate, 1959	4,002,300	2,094,000	6,096,300

Project statement

Project	1957	1958 (estimated)	1959 (estimated)
Salaries and expenses:			
1. Analysis of foreign agriculture and trade	$1,076,581	$1,176,800	$1,176,800
2. Agricultural attachés	2,613,643	2,825,500	2,825,500
Total, salaries and expenses	3,690,224	4,002,300	4,002,300
Removal of surplus agricultural commodities (allotment):			
3. Foreign market promotion	1,598,375	1,871,000	1,871,000
4. Import controls	183,364	223,000	223,000
Total, removal of surplus agricultural commodities	1,781,739	2,094,000	2,094,000
Total obligations or estimate	5,471,963	6,096,300	6,096,300
Deduct: Allotment from removal of surplus agricultural commodities	−1,781,739	−2,094,000	−2,094,000
Unobligated balance, salaries and expenses	34,776		
Total, available or estimate, salaries and expenses	3,725,000	4,002,300	4,002,300
Transferred to "Salaries and expenses, Forest Service"	+25,000		
Total, appropriation or estimate	3,750,000	4,002,300	

STATUS OF PROGRAM

SALARIES AND EXPENSES

Current activities

Current information of foreign agricultural production, markets, policies, and competition are gathered, analyzed, interpreted, and disseminated to United States farmers, business, and Government. This information is made available, in person and through publications, wherever decisions are made on important foreign economic and other problems so that the interests and problems of the United States farmers may be taken into account in making these decisions.

The expansion and stabilization of world trade, particularly in agricultural products, is actively encouraged through the removal of barriers to trade, the solution of monetary problems, the study of foreign competition with American products, the analysis of market situations affecting the sale of agricultural commodities through the world, and making the information obtained available to the United States farmers, processors, exporters, and other interested groups.

United States agricultural interests are represented and their position presented in the development of international agreements.

Agricultural attachés are stationed in 48 countries throughout the world to represent United States agriculture at those posts. The attachés' work includes a comprehensive system of reporting to meet the needs of United States agriculture, to act as the voice of American agriculture at the posts, and to take necessary action in the development of foreign markets for United States agricultural products.

Selected examples of recent progress

ANALYSIS OF FOREIGN AGRICULTURE AND TRADE

1. *Agricultural export volume sets alltime record in fiscal year 1957.*—This past fiscal year, the quantity of United States agricultural exports surpassed the previous record set in 1919. Valued at 1952–54 average prices, the export figure was $5,500 million in 1957 compared with $4,246 million in 1919. Compared with 1956, the 1957 quantity was 39 percent greater. Major increases were in exports of cotton (up nearly 2½ times), wheat (up about half), rice (more than doubled), and soybean oil (up 1½ times). Smaller volumes were recorded for tobacco, sorghum grains, barley, flaxseed, cottonseed oil, and lard. See chart No. 1.

2. *Agricultural export value in fiscal year 1957 one-third above that for 1956.*—Exports of agricultural products in fiscal year 1957 reached an alltime high, totaling $4,700 million and exceeding the 1956 level by 35 percent. The 1957 value was 16 percent above the previous record of $4,053 million in fiscal year 1952, when exports were stimulated by the Korean war. Over 60 percent of the export gain from 1956 to 1957 was due to cotton shipments, which advanced more than 200 percent in value under the United States policy of offering CCC inventories at competitive world prices. Excluding cotton, the 1957 export gain amounted to 14 percent, which compares with a gain of 27 percent in fiscal year 1956 over 1955.

United States agricultural exports, fiscal years 1956 and 1957

Commodity	1956	1957 [1]	Change
	Million	*Million*	*Percent*
Cotton	$372	$1,130	+204
Grains	1,178	1,520	+29
Tobacco	379	335	−12
Vegetable oils, oilseeds	410	460	+12
Fruits and vegetables	327	365	+12
Livestock products	550	600	+9
Private relief [2]	175	155	−11
Other	103	135	+31
Total, including cotton	3,494	4,700	+35
Total, excluding cotton	3,122	3,570	+14

[1] Partly estimated.
[2] Mostly CCC donations to private welfare agencies for distribution to needy persons overseas.

3. *United States imports fail to keep up with export growth.*—Total imports in fiscal year 1957 were $12.8 billion, exports $20.6 billion. Thus, imports were 62 percent of exports. This compares with 72 percent in 1956. Likewise, agricultural imports were 84 percent of agricultural exports in 1957; 117 percent in 1956 (Chart No. 2). Increasingly, foreign countries are obtaining dollars to buy United States goods by means other than United States imports of goods. These nontrade sources of dollars include United States expenditures for foreign travel, investments, credits, and grants. Thus, the present high level of United States exports, including agricultural items, has become more dependent on the continued ability of other countries to obtain dollars through nontrade sources.

4. *United States agricultural markets overseas more diversified.*—Five markets—the United Kingdom, West Germany, Japan, Canada, and the Netherlands—took 43 percent of United States agricultural exports in the July–April period of fiscal year 1957, latest period for which country data are available (chart No. 3). Exports to the "top 5" outlets gained by one-third in value in the 1957 period over the 1956 period. More significant, however, is the fact that exports to other countries gained by two-thirds in value. The United States now ships its agricultural products in volume to more countries than ever before.

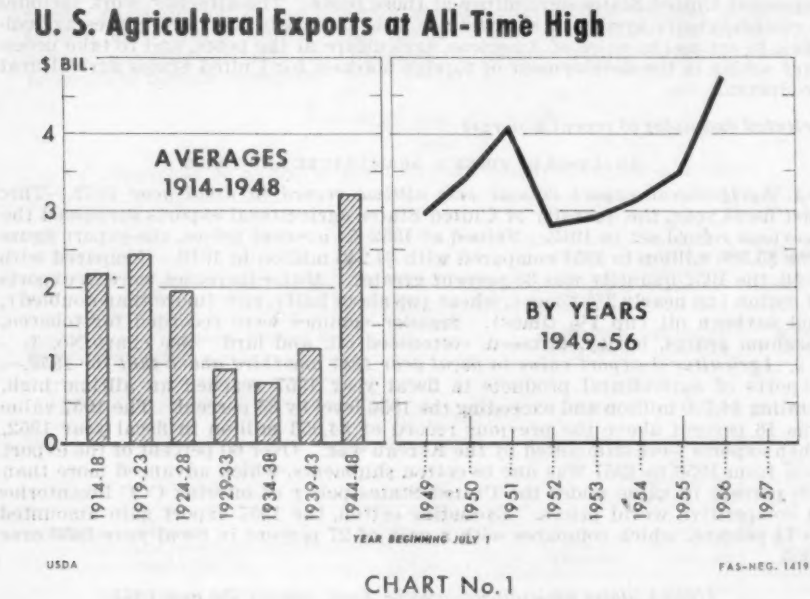


CHART No. 1

Some countries paid mostly with dollars; others had so few dollars that they had to rely in varying degrees on United States special export programs; most countries, however, fell somewhere between these two extremes. Even where Government programs were a particularly dominant factor, new doors were opened for United States agricultural exporters. The increase in exports to these countries resulted in acquainting new markets with United States products, developing foreign consumer preferences for them, and otherwise establishing the United States as a source of a varied assortment of attractively priced, high quality agricultural products.

U. S. Agricultural Trade Balance Shifts: Exports Now Exceed Imports

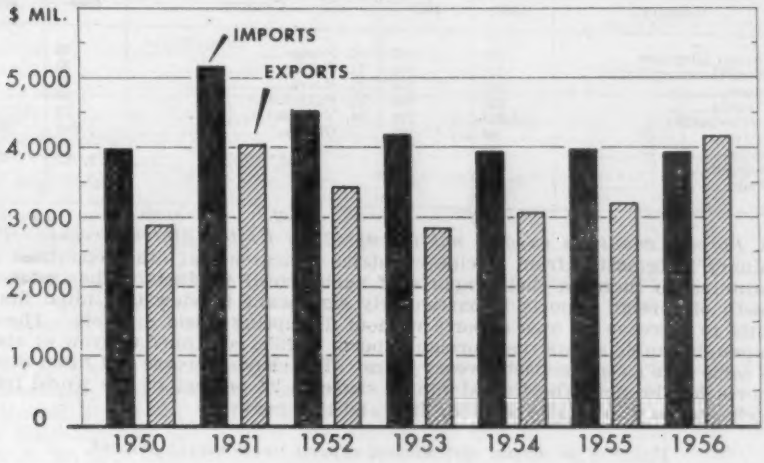


CHART No. 2

72% U. S. Agricultural Exports Go to 14 Markets

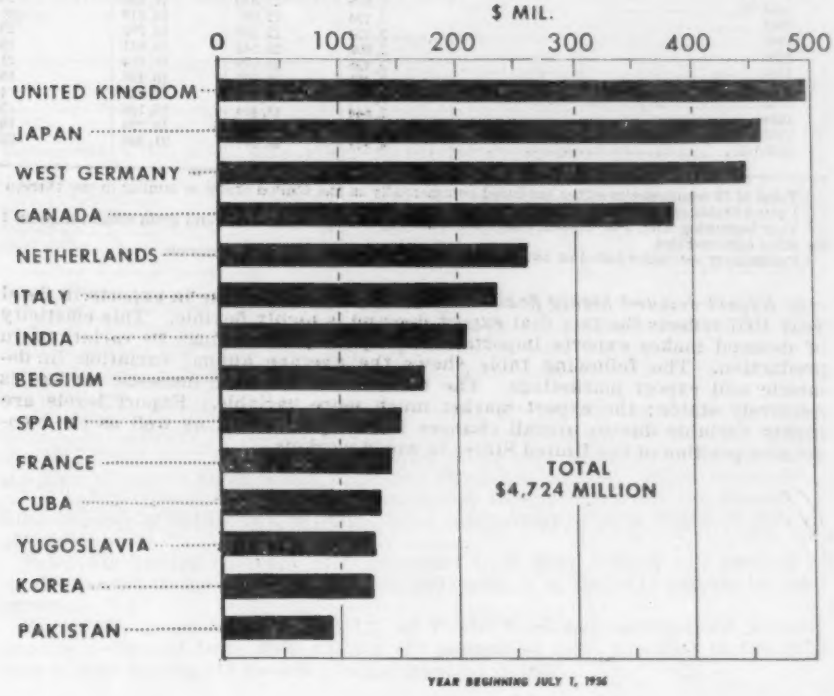


CHART No. 3

United States agricultural exports, July to April, fiscal years 1956 and 1957

[In millions of dollars]

Country	1956	1957	Country	1956	1957
1. United Kingdom	345	427	10. France	56	122
2. West Germany	211	384	11. Cuba	95	116
3. Japan	296	384	12. Korea	34	98
4. Canada	229	306	13. Pakistan	36	89
5. Netherlands	203	224	14. Yugoslavia	72	83
6. Italy	89	192	Others	894	1,098
7. India	26	159			
8. Belgium	106	152	Total	2,782	3,969
9. Spain	90	135			

5. ***Foreign countries exports not disrupted by United States increase.***—Preliminary information from foreign countries indicates that other countries are continuing to increase their exports of agricultural products. The continued growth of foreign exports is particularly significant in view of United States efforts to increase its own exports without disrupting world markets. The accompanying table shows that foreign exports in 1956 continued to grow at about the same rate as in the past several years. The sharp increase in United States exports has brought the United States share to 22 percent of the world total, which compares favorably with the 1948 and 1951 peaks.

Value of principal agricultural exports [1] at constant prices [2]

Year [3]	United States exports	Foreign exports	World exports	United States share
Averages:	*Millions*	*Millions*	*Millions*	*Percent*
1924–28	$3,234	$15,030	$18,264	18
1929–33	2,598	15,311	17,910	15
1934–38	1,768	15,370	17,138	10
1948	3,134	12,085	15,219	21
1949	3,124	12,583	15,707	20
1950	2,998	13,543	16,541	18
1951	3,435	13,079	16,514	21
1952	2,491	14,007	16,498	15
1953	2,472	15,010	17,482	14
1954	2,644	15,494	18,138	15
1955	3,100	16,126	19,226	16
1956 [4]	4,717	16,591	21,308	22

[1] Total of 52 commodities either produced commercially in the United States or similar in use thereto
[2] United States export prices, 1952–54 average.
[3] Year beginning Aug. 1 for cotton; July 1 for wheat, rye, oats, corn, barley, and grain sorghums; Jan. 1 for other commodities.
[4] Preliminary estimates based on available export data and other trade information.

6. ***Export demand highly flexible.***—The 35 percent increase in exports in fiscal year 1957 reflects the fact that export demand is highly flexible. This elasticity of demand makes exports important in adjusting marketings to variations in production. The following table shows the average annual variation in domestic and export marketings. The table shows that the domestic market is relatively stable; the export market much more variable. Export levels are highly variable due to overall changes in foreign demand as well as the competitive position of the United States in world markets.

Average annual variation in domestic and export disappearance, selected commodities, and index of all commodities (marketing year averages 1945–56):

[Million units]

Commodity	Unit	Average annual variation	
		Domestic	Export
Cotton	Run. bales	0.8	1.6
Tobacco, flue-cured	Pound	25.8	68.8
Wheat	Bushel	35.5	89.5
Rye	do	2.9	2.5
Rice, rough basis	Hundredweight.	1.3	5.0
Food fats and oils, fat content	Pound	268.0	323.3
Tallow and greases, inedible	do	94.3	122.8
Dried fruits, processed weight	do	48.4	83.6
Index, all agricultural commodities [1]		100.0	108.0

[1] Weighted by prices; domestic=100.

7. *The United States improves its share in world markets for some farm commodities, and maintains it fairly well for others.*—Last year's expansion of United States agricultural exports was accompanied by an improvement in the United States share of world exports for a number of important items (chart No. 4). Greatest improvements were for wheat, dry beans, cotton, linseed and linseed oil, and soybeans and soybean oil. United States wheat exports increased by 5.4 million metric tons while foreign exports declined by 2.3 million tons. United States dry beans were up 76 thousand tons; foreign, down 56 thousand tons. United States cotton shipments advanced 468,000 tons; foreign cotton fell off 118 thousand tons. Many other products held their own in world markets or declined slightly.

United States share in world agricultural exports calendar years 1955 and 1956:

[Percentage]

Commodity	1955	1956	Commodity	1955	1956
Lard	85	82	Cotton, raw	24	38
Soybeans and oil	71	81	Tobacco, unmanufactured	39	36
Tallow	81	76	Linseed and oil	23	34
Cottonseed and oil	80	74	Dry beans	15	32
Milk, powdered	58	51	Milk, condensed and evaporated	17	20
Wheat and flour	30	46	Oranges	12	18
Grapefruit	43	46	Rice, milled	10	16
Feed grains	49	41	Cheese	16	16

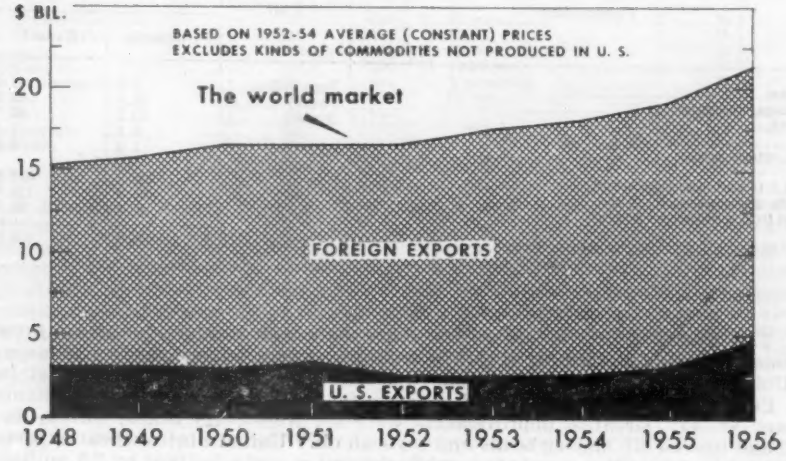
8. *More exports are commercial sales.*—Commercial sales of agricultural commodities, excluding those under Government programs, increased about $700 million during the fiscal year 1957 as compared with the previous year, representing nearly 60 percent of total agricultural exports in both years. (See chart No. 5.)

Included in Government programs, as shown in the following table, are commercial sales under the barter program which increased over $50 million during the 1957 fiscal year and commercial sales under short-term credit extended by the Export-Import Bank which increased about $10 million. These commercial sales under Government programs amounted to approximately 10 percent of total exports in both years, bringing total commercial sales to about 70 percent of total exports.

Sales for foreign currency also increased from $427 million (12 percent of total exports) in the 1956 fiscal year to $900 million in 1957 (19 percent of total exports).

Donations under titles II and III of Public Law 480, and mutual security exports decreased from $649 million (19 percent of total exports) in the 1956 year to $625 million (13 percent of total exports) in 1957.

U. S. Increases Its Share of World Agricultural Trade

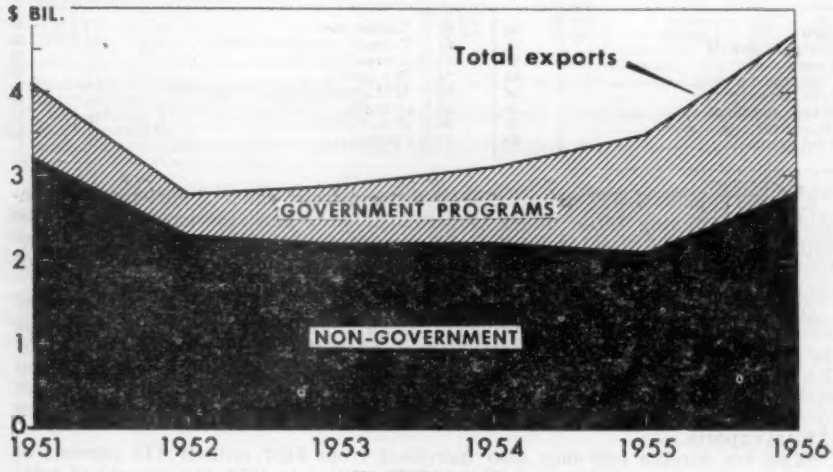


USDA

CHART No. 4

FAS-NEG. 1423

40% U. S. Agricultural Exports Under Government Programs



USDA

CHART No. 5

FAS-NEG. 1446

Exports of United States farm products under specified programs compared with total exports by fiscal years

[Dollar amounts in millions]

Programs	1956	Percent of total	1957 [1]	Percent of total
Total exports	$3,493	100	$4,700	100
Public Law 480:				
Title I	427	12	900	19
Title II	91	3	100	2
Title III:				
Barter	298	8	350	8
Donations	179	5	150	3
Total, Public Law 480	995	28	1,500	32
Mutual security, secs. 550 and 402	[2] 379	11	[3] 375	8
Export-Import Bank loans [4]	60	2	70	1
Total exports under specified programs	1,434	41	1,945	41
Exports outside Government programs	2,059	59	2,755	59

[1] Partly estimated.
[2] Basis, actual exports.
[3] Basis, disbursements for exports.
[4] Short-term credits repayable in dollars plus interest (covering cost of lending agency).

9. *Exports to the West German market increased by 82 percent.*—United States exports of farm products to West Germany rose from $211 million in July–April of fiscal year 1956 to $384 million in the like period of fiscal year 1957. The dramatic July–April value in 1957 compared with $270 million for exports to West Germany in all the fiscal year 1956. Two-thirds of the value rise was due to cotton; cotton shipments in this 10-month period were over 12 times larger than a year earlier. There were increases for wheat, corn, and other products. However, there were a few decreases, notably in grain sorghums, tobacco, and fats, oils, and oilseeds. Exports of these commodities receded from the high levels of the previous year.

10. *United States facing more competition in an expanding Japanese market.*—United States exports of agricultural commodities to Japan for the 5 years ending in 1956 have been the highest on record. In 1956 a total of $392 milion of agricultural commodities was exported to Japan; this was only 9 percent below the peak level of $429 million for 1952. The quantity of United States agricultural exports to Japan in 1956 was over 70 percent above the prewar 1934–38 level.

Japan is importing a relatively smaller share of her agricultural commodities from the United States today than formerly. In 1956 about a quarter of her imports of agricultural commodities came from the United States, while 5 years earlier 42 percent came from our country. This declining share of her imports from the United States is the result of reliance on dollars obtained from United States Government activities in Japan, and greater opportunity to buy from other areas. By increasing her exports to other countries, she is acquiring more foreign exchange to buy agricultural commodities from countries other than the United States.

Japan, however, remains a major foreign outlet for the American farmer despite this downward trend in our share. During the 4 years 1952–56 the Japanese were our No. 1 farm market and second to the United Kingdom in 1956.

11. *Large shares of United States output are exported.*—The following table shows that major items in United States agricultural exports comprise important segments of domestic output. Compared with 1956, exports in 1957 rose sharply for cotton, wheat, and rice—and likewise, their share of output. These export gains, however, were largely out of CCC inventories which included the production of earlier years.

United States agricultural exports compared with production, marketing year 1956 [1]

Commodity	Unit	Exports	Production	Comparison
		Million units	*Million units*	*Percent*
Rice, milled	Bag	25.5	30.8	83
Cotton and linters	Bale	7.9	13.3	59
Wheat and flour	Bushel	535.0	997.0	54
Rye	do	10.5	21.6	49
Tallow and greases	Pound	1,540.0	3,398.0	45
Soybeans and oil	Bushel	160.0	456.0	35
Tobacco	Pound	500.0	1,930.0	26
Dry edible peas	Bag	1.2	4.6	26
Lard	Pound	612.0	2,775.0	22
Dry edible beans	Bag	3.0	17.1	18
Sorghum grains	Bushel	35.0	205.0	17
Barley	do	60.0	372.0	16

[1] Some data estimated.

12. *Mexican cotton production potential appraised.*—A firsthand appraisal was made of potential cotton production in Mexico's cotton-producing areas—Matamoros, Laguna, Delicias, Mexicali, and the west coast. The study indicated that water is the dominant factor controlling the expansion of cotton production in 4 of the 5 cotton-growing regions. Agricultural credit is probably the second most important consideration and the tenure system an additional problem. Detailed cost studies showed that the net return per acre for average cotton-production situations was from one and a half to two and a half times as much as that for wheat, which is the best alternative crop that can be grown and marketed on a large scale. This indicates strong staying power for cotton even at prices of 22 to 23 cents a pound.

It was concluded that (1) in the next 5 years, Mexican cotton production should reach a norm somewhere between the 1955 peak of 2.2 million bales and 2.5 million bales, (2) the availability of water will continue to be the determining factor in the 4 old cotton-producing areas, and (3) the major expansion will occur along the west coast in Sonora and Sinaloa. The study further indicated that not until the Ministry of Hydraulic Resources completes the development of water and land resources involving 1.3 million acres, will there be an economic basis for the expansion of cotton production appreciably beyond 2.5 million bales at the price and cost relationships prevailing in 1956.

13. *Cotton and chemical fiber competition in Japan.*—A study made of the various economic aspects of competition between cotton and chemical fibers in Japan shows that the official policy of the Japanese Government, as reflected in the 5-year plan for economic independence, is to encourage the development and expansion of the chemical fiber industry because of the greater relative foreign exchange earning power and lesser dependence of the industry on imported raw materials. Competition between cotton and chemical fibers has been growing in recent years. In 1956, mill consumption of cotton was 2.4 million bales, only 70 percent of the prewar averages, while production of all chemical fibers reached an alltime high which was equivalent to 2.3 million bales of cotton.

Rayon staple felt strong price competition from cotton as a result of the United States Government's program during 1956 of offering CCC cotton stocks for export at competitive world prices. This factor, coupled with overproduction of rayon staple in Japan, caused reductions of rayon staple prices to levels which in early 1957 approximated production cost. Whether the United States can maintain its traditional 40-percent share of the Japanese market or expand raw-cotton sales depends mainly upon two factors. One is the competitiveness of United States cotton, from a price and quality standpoint, with rayon staple and foreign cotton. The other is Japan's ability to maintain a reasonable balance-of-payments position with the dollar area.

14. *Competition in New Zealand studied.*—An on-the-spot study revealed that New Zealand will continue to be the main competition the United States will encounter in the world market for dairy products.

Dairy production is carried on in New Zealand at probably the lowest level of cost in the world. Moreover, the full capacity of production has not been realized. The estimate of 478 million pounds of butterfat as being the quan-

tity available for export in 1972 is 24 percent higher than the quantity available during 1952. The fact that the handling of exports of dairy products is highly centralized; that on July 1, 1956, the industry carried a reserved account of 23½ million New Zealand pounds (approximately $65 million); and that the Government apparently stands ready to make additional funds available, if necessary, to meet costs and maintain dairy producers' families "in a reasonable state of comfort," enhances the position of New Zealand as a competitor of the United States for world markets during the days ahead.

15. *Competition in Australia analyzed.*—Australia will increase in importance as a competitor for United States dairy products in world markets. The Commonwealth will continue to play an important role in competing for world dairy markets because its temperate climate permits an almost continuous growth of pasture in major dairy areas throughout the year. In addition, little of the livestock needs to be housed.

During the year ending June 30, 1956, butter production reached an all-time record of 467.2 million pounds, 9.1 percent greater than during the previous year. Exports of butter during the same year increased by 30.9 percent above the previous year. By no means has the production capacity of the country been reached. The sale of butter and cheese for export is controlled by a central organization, and the returns are equalized. This permits low returns in some markets to be offset by returns from other markets.

Direct subsidy payments, amounting to the equivalent of approximately 30 million dollars annually to dairy producers, and other grants are made available by the Government. The Commonwealth also maintains an extensive grading and inspection service and exercises close quality control over dairy products for export.

16. *Marketing United States flaxseed foretold.*—Data on increased world production of flaxseed, published in the circular World Flaxseed Production and Trade dated May 13, 1957, contributed to the understanding of the competitive situation that must be faced by the Commodity Credit Corporation in export marketing of flaxseed taken over from the 1956 price-support program. Highlights were that Canada had an all-time record crop of flaxseed in 1956 and that Argentina in 1956–57 would have the largest outturn in several years. Both countries market linseed oil and/or flaxseed in competition with American products.

17. *Increased competition from South African citrus expected.*—The survey of the South African citrus industry, which provides the principal competition in European markets to exports of United States citrus fruit, was undertaken in the fall of 1956. Based on the results of this survey which covered the production areas, practices and costs, marketing institutions and practices, and reported anticipated future competition to the United States citrus industry from this area, it is probable that South African orange exports will increase sharply. This would result in lower prices in Western European markets.

18. *Australian and South African deciduous fruit-canning industries surveyed.*—South Africa and Australia are the two principal competitors with the United States deciduous fruit-canning industry in world markets. FAS, in cooperation with the Canners League of California, undertook a survey of the canning industries in these two countries to determine what competition the United States industry might face in the future. Each of these countries enjoy important advantages in the United Kingdom market because of their relationship with her. High labor costs and raw-material difficulties are expected to limit further expansion of Australian canned-fruit exports. Continued expansion of the South African canned-fruit exports seems likely in view of increased raw-material supplies and relatively low labor costs.

19. *Cuban winter vegetable industry studied.*—A study of the winter vegetable industry in Cuba was made to appraise the vegetable supplies that may be expected from Cuba. The principal Cuban winter vegetable exports are tomatoes and cucumbers. There has been an increase in the production of vine-ripened, staked tomatoes. Most of this increase has been offset by a reduction in ground tomatoes. Higher costs of some production materials, marketing services and duties are likely effectively to limit the expansion of winter vegetables for export.

20. *Netherlands canned-apple industry in competition with United States.*—Supplies of canned sliced apples from the Netherlands have, at times, affected marketing conditions in the United States canned-apple market. A survey of

the Netherlands canned apple industry was undertaken in the winter of 1956 to measure potential competition to the United States canned-apple industry. Production potential and costs of canned-apple slices in the Netherlands were reported. With cheaper raw material the Netherland products would severely compete with United States products. However, increasing labor costs in the Netherlands, together with more profitable alternate uses of facilities, are expected to limit the probability of increased exports of this product to the United States.

21. *Competition report on Rhodesian tobacco.*—A competition report on the tobacco industry of the Rhodesian Federation, our biggest competitor in world trade, was released to the public early in 1957. This report was extremely well received, both here and abroad, as the best comprehensive analysis of the competitive situation with respect to Rhodesian leaf versus United States leaf in world markets. A continued expansion of the production and exports of Rhodesian flue-cured tobacco is likely to occur, but the future rate of increase will be subject to limitations of production resources (mainly lack of moisture). The expansion in Rhodesian production has been achieved largely as a result of preferential import duties on Rhodesian leaf and guaranteed markets in the United Kingdom and Australia. There is a limitation on the proportion of neutral Rhodesian leaf which can be used in a quality cigarette, therefore, any substantial increase in exports would depend on a use in consumption of tobacco products in certain markets—largely Western Europe, including the United Kingdom, and Australia.

22. *Further removal of restrictions against United States agricultural exports under GATT.*—The Foreign Agricultural Service, representing the Department, participated in the June 1957 consultations in Geneva under the General Agreements on Tariffs and Trade (GATT), to discuss the further removal of quantitative restrictions against the importation of United States agricultural products. Consultations were held by the United States with eight countries—Denmark, Norway, Sweden, Italy, the Netherlands, Greece, Austria, and Germany, all of whom have been maintaining restrictions on trade for balance of payments reasons.

Some success was achieved by the United States in getting several countries to relax their restrictions on farm products. For instance, Sweden announced that the following items in the agricultural sector will be exempt from licensing requirements when imported from the dollar area—wheat, oats, barley, rye, flour; edible parts of sheep, horses, cattle, and swine; soybeans, oilcakes, feeding stuffs, peanuts, and certain other oil seeds. Italy announced a new dollar area liberalization list which includes such agricultural items as cotton and wool. In addition Austria and Germany announced, as a result of these consultations, that they would remove further restrictions in the near future. Austria indicated that it expected to liberalize its restrictions on canned fruit and several other agricultural items of interest to American agriculture.

Additional consultations on removal of restrictions will be held with at least 11 other GATT countries in the fall of 1957. Preparations are proceeding in FAS for these consultations.

23. *Appraisal of European common market area and its impact on American agriculture.*—Six European countries—Western Germany, France, Italy, the Netherlands, Belgium, and Luxembourg—have proposed the establishment of a common market. Over a period of years they plan to eliminate trade barriers among themselves. It is our belief that if these countries succeed in establishing a genuine common market, this will add much to the economic strength of the European community. The treaty establishing this community has been signed and is now in the process of ratification.

Foreign Agricultural Service has been representing the Department in the United States appraisal of the impact of the proposed common market on our American economy. Attention has mainly been centered on its impact on American agriculture. FAS has been, and will continue, to watch carefully the progress of the common market mainly in terms of encouraging its development along lines which may result in an expansion of foreign markets for American farm products. It is expected that the treaty will not come into force until the early part of 1958 at the earliest.

24. *Trade relations with Canada.*—Canada has been undergoing a major economic boom and its effects on United States agriculture are requiring special attention. Several studies have been made bearing on these effects. Canada, One of United States Agriculture's Best Cash Customers, was published as an

article in Foreign Agriculture in October 1956. Canada's expanding exports have been discussed in two articles. The future of Canada's competitive position is the subject of a comprehensive report just recently completed. While Canada's farm production and exports are rising, they are rising less rapidly than her imports of farm commodities. One effect of the Canadian boom is the imbalance of trade between our two countries. Though Canada's population is only one-tenth that of the United States, it bought farm products from the United States in 1956 valued at $341 million. Canadian farm exports to the United States were $176 million. This is viewed in Canada within the framework of a total Canadian 1956 trade deficit with the United States of $1 billion.

25. *Agricultural policies of foreign governments analyzed.*—Although many of the stringent wartime controls over agriculture and agricultural trade have been relaxed after the war, Government intervention in agriculture remains widespread and intensive. This intervention has influenced the volume of world trade and of world prices of agricultural products.

Agricultural income supports, through internal market and price regulation, through the regulation of foreign trade, and through direct subsidization of production or of imports, have been consolidated in many countries and are now an integral part of general economic policy. A report to be issued early in the fiscal year 1958 describes the status of agricultural policies as of the middle of 1957. It discusses the dependence of each foreign area on trade in farm products, either as an importer or as an exporter. It summarizes the goals of agricultural policies, the measures regulating foreign trade in agricultural products, and price support, subsidy, and production programs in these countries that are important markets for United States farm products or are important competitors.

26. *Technological aspects in agricultural expansion in Europe.*—A detailed study was prepared on technology as a factor of agricultural expansion in West Europe. It was found that the formidable outflow of labor from agriculture into a booming industry has proved a powerful force for modernization. Postwar growth of agricultural output and productivity in West Europe's agriculture was remarkable. By 1955 tractors numbered 10 times as many as before the war and the input of fertilizer was 80 percent above prewar.

Prospects are that expansion will continue but will be somewhat retarded compared with recent rates of growth. Because of the momentum of technological progress, productivity will further rise and this will make West Europe's farm production more competitive, even without intensification of government support. It is important to be aware of this prospect in an area which is the world's largest importer of agricultural products and which, in recent years, has taken nearly 40 percent of United States agricultural exports.

27. *United States agriculture faces only limited additional competition from South Asia.*—The United States will encounter only limited additional competition from South Asia in the sale of farm products abroad. Also, there is expected to be little, if any, decline in South Asia's need for agricultural imports. These are the main conclusions of a recent firsthand study of how the countries' agricultural programs and plans are working out in India, Pakistan, Afghanistan, Ceylon, and Nepal. The agricultural expansion plans of the countries of South Asia call for increased production of cotton, wheat, rice, tobacco, oilseeds, and other commodities in which United States agriculture has a vital export interest. However, all countries face major difficulties in achieving the goals which they have set. Although the production of farm products will almost undoubtedly increase in every country of the area in the next few years, most of the increase will be needed for consumption in the producing country. Rapidly growing populations, the need to improve the present low living standards, and industrial expansion requiring more agricultural raw materials are among the leading factors that will contribute to expanded consumption.

28. *Competitive aspects of Turkey's agricultural development.*—A detailed study was made of Turkey's agricultural development program and an appraisal made of the competition the United States should expect from this country in the world export markets for grains and cotton. Contrary to the belief a few years ago, Turkey will not be an important exporter of these crops. Domestic consumption will soon absorb all the reduced production of cotton. Grain production is highly dependent upon rainfall, but with abandonment of some marginal areas, greater concentration of grain in semiarid areas, and in-

creased domestic consumption; Turkey will not in the long run be a net exporter of soft wheat.

29. *Collection and analyses of agricultural data for Africa.*—With the establishment of the Africa and Middle East Analysis Branch and the expansion of the number of agricultural attachés in Africa, it has been possible to obtain, analyze and publish for the first time information on agricultural production and trade for this part of the world which is becoming increasingly important economically and politically. Production indices, food balances, trade statistics and notes on agricultural economies are also being prepared for several of these countries. This information is indispensable to American exporters in the development of markets for United States agricultural commodities, and in evaluating the competitive aspects of African agriculture.

30. *Soviet Union to grow more coton on its "hungry steppe".*—Through irrigation the Soviet Government hopes to add some 740,000 acres to its area in cotton and to transform a part of the vast Central Asiatic desert called the "hungry steppe" into one of the country's most important cotton producing regions. If carried out the program will expand the U. S. S. R.'s cotton acreage by about 14 percent. Irrigation, however, is not all that is needed to make the land productive. The soil of the steppe tends to become saline and marshy; therefore, drainage is essential if the hopes for the area are to come true. The problems of this expansion program were discussed in Foreign Agriculture, December 1956.

31. *Soviet agrarian policy.*—In the past 20 years Soviet agrarian policy has swung back and forth—from intensified collectivism to limited concessions to peanuts. A brief review of this evolution was prepared for the anniversary issue of Foreign Agriculture in January 1957. Soviet agricultural policy became especially dynamic after Stalin's death. It is exemplified in provisions of increased economic incentives and investment in agriculture, in certain changes in the management of the collective farm system, in expanding cultivation of a large area of virgin land (principally wheat) in the semiarid zone beyond the Urals, in the large increase of corn acreage, and a strong effort to increase livestock production, which has long been a weak link in Soviet collective farming. A study is underway analyzing these various phases of the post-Stalin agricultural policy.

32. *Argentina as a competitor of United States in world markets.*—This report is one of a series of studies on competition of the principal countries of the world. Argentina was selected for the first study in South America because its agriculture resembles more nearly that of the United States than does any of its Latin American neighbors. It is the most competitive of the area. Past trends in production and exports and past and present policy measures are portrayed in this publication in an effort to appraise what the future holds for United States agriculture with respect to competition from Argentina.

33. *Mexico is a market and a competitor for United States farmers.*—An on-the-spot study reveals that Mexico has had spectacular increases in wheat production, particularly in the north and west on newly irrigated land. The larger wheat crops are supplying the domestic market that formerly received half of its wheat needs from the United States. The Mexican drive for self-sufficiency is affecting adversely the market for certain other United States products. On the other hand imports of breeding stock and agricultural raw materials for industrial use may see some increase over the next few years. Greater Mexican production of coffee and other products complementary to those of the United States should provide foreign exchange to pay for more agricultural imports in the years ahead. This study gives farmers, farm organizations, and others a picture of Mexico's changing agriculture and the effect of such changes on the market for United States products and the competition of Mexican products on the world market.

34. *Agricultural geography of Latin America prepared.*—During the fiscal year 1957 a comprehensive atlas on the agricultural geography of Latin America was prepared. This report summarizes the production and trade of South America, Mexico, Central America, and the Caribbean area. It visualizes the data on acreage and production of the principal crops and livestock numbers in these areas. It portrays the physical features of Latin America, such as topography, land forms, soils, rainfall, and temperature. Rural, urban, and density population maps are shown with accompanying text for each subject. The analysis of trade shows the movement of agricultural products between the United States and these Latin American areas.

35. *FAS circulars improved.*—One of the principal vehicles used by the Foreign Agricultural Service in moving current information on foreign agricultural developments to the United States public is through the circular series. Circulars are "expanded press releases," containing up-to-date information of direct application to the United States agricultural export job. They are distributed within the United States, as issued, on a series of special mailing lists to people and organizations requesting such information. In 1957, an editor was assigned to working with commodity and other FAS analysts to improve the readability, uniformity, and attractiveness of the circulars. Marked improvement has taken place, making the circulars even more useful than formerly in releasing current information.

36. *World crop, livestock, and trade report issued monthly.*—For reader convenience, and more ready reference and filing, the world agricultural production and trade summaries previously appearing in weekly issues of Foreign Crops and Markets, are now published as a separate monthly supplement. This has made it possible to provide greater detail of important statistical data in a single monthly publication to which reader interest is invited by a specially designed cover page.

37. *FAS chart book presents coordinated story on world trade in agricultural products.*—Foreign Agricultural Service presented its 1957 annual chart book in a modern, easier-to-read-and-understand format. The chart book entitled, "Increasing United States Farm Exports," graphically analyzed the world market for United States farm products.

The trend of agricultural exports; what exports mean to the farmer; the trade job; where exports are going; an analysis of the world agricultural market; regional patterns in agricultural trade; analysis of the five best customers for United States farm products; and the export picture on individual farm commodities.

Six thousand copies of the chart book were printed and distributed to other department and Government agencies, farm organizations and trade groups and associations, and the general public.

38. *FAS movie completed.*—Foreign Agricultural Service completed its motion picture, Marketing Farm Products Abroad. This is the first United States Department of Agriculture picture devoted to foreign agricultural trade.

The picture dramatizes the importance of exports to United States agriculture. On-the-scene footage made in the United Kingdom, Japan, and Brazil shows representative work of the United States agricultural attachés, such as market development activities and reporting of foreign agricultural developments.. The overall theme of the picture is how United States agriculture, industry, and Government are teaming up to conduct effective export promotions for United States farm products.

The picture is full color, 17 minutes long. Prints are being placed in State film libraries, available for showing by farm, trade, educational, and other groups. Early response to the movie has been highly favorable.

39. *Foreign Agriculture magazine circulation increased.*—Early in fiscal year 1957, Foreign Agricultural Service started increasing the circulation of its monthly magazine, Foreign Agriculture, to institutions, firms, associations, and individuals concerned in general with United States agriculture and, wherever possible, specifically with the export of United States farm products. The first step was to increase circulation of the magazine among the agricultural staffs of land-grant colleges. At the time the promotion was started, 198 copies were being sent regularly to these institutions, exclusive of libraries. The agency corresponded with the deans of agriculture at all land-grant colleges in the United States and its Territories, and from this one exchange 276 additional subscriptions were requested, bringing the total circulation to land-grant colleges to about 475.

AGRICULTURAL ATTACHÉS

1. Trade liberalization

(*a*) *Italy.*—The improvement in Italy's gold and dollar reserve position made it possible for the agricultural attaché to press Italian officials for freer trade in agricultural products from the dollar area. The first result of this effort came about on June 25, 1957, when Italian authorities announced a reduction of quantative restrictions on imports from the dollar area. Due to this initial action, cotton and wool are the principal agricultural commodities free of trade restrictions.

2. Market development

(*a*) *Malaya.*—In April 1957, a United States rice exporter commended the agricultural attaché to Malaya for creating a market in Singapore for United States rice. Through use of samples, exhibits, and ingenuity, he developed a commercial demand for imported processed rice in a region of the world where price is traditionally produced for export and is the principal item of diet.

(*b*) *Union of South Africa.*—The Association of Dark Leaf Tobacco Dealers and Exporters has commended the agricultural attaché for his efforts in the opening of new marketing opportunities for United States leaf tobacco in the Union of South Africa. Prior to 1955, South Africa permitted the importation of Rhodesian tobacco duty free. This had the effect of excluding American tobacco from the South African market. After persuasive and persistent representations to the South African Government and the local tobacco producers and processors, permission to import tobacco duty free was extended to the United States for 1956 and again in 1957.

(*c*) *Africa.*—Recently four agricultural attachés were assigned to cover the vast areas of Africa between Egypt and the Union of South Africa. They are now supplying the United States with the first on the spot regular reports on agricultural needs and developments in this rapidly changing area. They are not only confirming rumors of European plans to expand the production of peanuts, rice, cotton, livestock, coffee, and cocoa but are finding and opening marketing possibilities for such United States agricultural products as the wider use of wheat and wheat flour, rice, grain sorghums, tobacco, beans, and corned foods such as milk, meats, fruits, and vegetables.

(*d*) *Mexico.*—Through the urging and assistance of the agricultural attaché at Mexico City the Government of Mexico arranged a $5 million program for the purchase of foundation herds and breeding stock in the United States. This permitted the purchase of 16,400 beef cattle and 3,600 head of dairy cattle through commercial channels. As a direct result of the trade contacts established in the program, an additional 1,000 head were purchased outside of the authorization. Moreover, the program was so successful that the Government of Mexico has now authorized a second $5 million to continue the commercial purchase of breeding stock and foundation herds in the United States.

3. Public relations

(*a*) *Australia and Colombia.*—Through public speeches and printed material, agricultural attachés are continually striving to strengthen relations with foreign countries, in behalf of United States agriculture. Two recent example are:

(1) The agricultural attaché in Australia gave several talks to present the United States viewpoint in our surplus disposal programs, as a means of countering frequent Australian criticism. With the help of United States Information Service, these were given full press and radio coverage and copies were distributed to top officials in the Government, agricultural industry, and farm organizations. These actions resulted in a lessening of the criticism. In addition, articles in some of the leading agricultural papers indicate a greater appreciation of the surplus disposal problems facing the United States Government.

(2) Similarly, the attaché in Colombia, South America, saw a need for informing the local press, agricultural groups, and key officials on the objectives and operation of Public Law 480. With the help of United States Information Service he prepared pamphlets in both English and Spanish for distribution throughout the country.

4. German-American cooperation in agricultural research

(*a*) *Germany.*—Knowing that an exchange of research information and techniques between the agricultural scientists of the United States and Germany would be highly beneficial to both countries, the agricultural attaché at Bonn promoted the idea. As a result, the German Minister of Agriculture headed a team of German scientists to the United States in the fall of 1956. At that time, it was agreed to proceed with the exchange and implementation of the program, including the exchange of fellows. The program is actively moving forward. It is hoped that this program will serve as an example for similar arrangements with other countries.

5. Reporting

(*a*) The reporting activities of the agricultural attachés and officers staffing 53 foreign posts played a vitally important role in the gratifying progress made during fiscal year 1957. These activities included the submission of 4,777 agricultural reports and an even larger number of cables, letters, and memorandums of which no official count is maintained. The information in these communications, much of which required a great deal of effort and ingenuity to obtain, kept American farmers, processors, and traders currently well informed on all important agricultural developments overseas. In addition, it supplied the basic data for the development of numerous marketing and other agricultural programs. The attaché posts are shown on the following map.

General Statement

Mr. Paarlberg. Mr. Chairman, and members of the committee, thank you for this opportunity to discuss the budget request for the Foreign Agricultural Service for 1959.

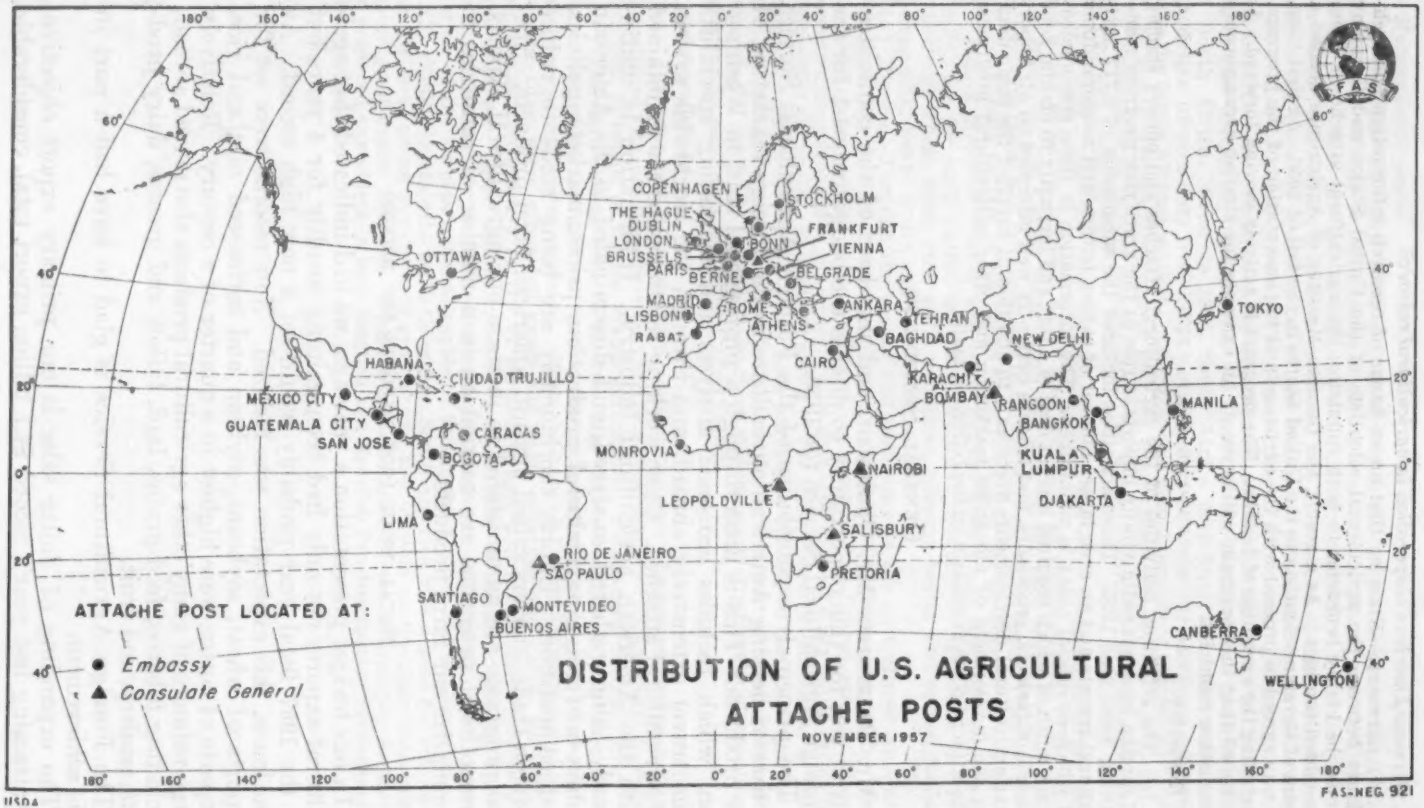
The principal responsibility of the Foreign Agricultural Service is that of helping American agriculture in the foreign marketing of its products. This is done through a professional staff in Washington, which includes economic analysts and marketing specialists who travel extensively abroad, and through the worldwide system of agricultural attaches. Close working relationships are maintained with the American agricultural industry. Information is continuously being gathered, analyzed, and disseminated to the American public on foreign agricultural production, prices, markets, policies, and competition. Efforts continuously are being made to reduce foreign-trade barriers raised against American farm products. Special programs are administered to increase our agricultural exports. Promotional programs are carried on in a number of countries to popularize our farm products.

FISCAL YEAR 1957 EXPORTS SET RECORD

In our budget presentation a year ago, we had indicated that agricultural exports not only had been gaining steadily for 4 years but in the 1957 fiscal year probably would set a new high record. As you know, this expectation was realized. New records were set for exports of wheat, soybeans, soybean and cottonseed oils, and rice. Exports of cotton were highest in a quarter of a century. Relatively large volumes of many other agricultural products also moved abroad, including tobacco, feed grains, lard, tallow and greases, dairy products, poultry, and fruit.

The Foreign Agricultural Service is glad to have had a part in this achievement.

The expanding of dollar sales is our primary export objective. In attaining last year's record $4.7 billion export total, considerable


COPENHAGEN
STOCKHOLM
THE HAGUE
DUBLIN
LONDON
BRUSSELS
PARIS
FRANKFURT
BONN
VIENNA
BERNE
BELGRADE
OTTAWA
MADRID
LISBON
ROME
ATHENS
ANKARA
TEHRAN
BAGHDAD
RABAT
CAIRO
NEW DELHI
TOKYO
HABANA
CIUDAD TRUJILLO
KARACHI
BOMBAY
MEXICO CITY
GUATEMALA CITY
SAN JOSE
CARACAS
BOGOTA
RANGOON
BANGKOK
MANILA
MONROVIA
NAIROBI
KUALA LUMPUR
LEOPOLDVILLE
DJAKARTA
LIMA
SALISBURY
RIO DE JANEIRO
SÃO PAULO
PRETORIA
SANTIAGO
MONTEVIDEO
BUENOS AIRES
CANBERRA
WELLINGTON
ATTACHE POST LOCATED AT:
Embassy
Consulate General
DISTRIBUTION OF U.S. AGRICULTURAL ATTACHE POSTS
NOVEMBER 1957
FAS-NEG. 921

progress was made in expanding dollar sales. While Government programs contributed substantially to the total, commercial exports of farm products for dollars came to $2.8 billion, which was the second highest in history. The only year when dollar exports of United States farm products exceeded this figure was in fiscal year 1952 when scarce buying due to the outbreak in Korea sent dollar purchases up to $3.5 billion. The greater our success in expanding dollar sales, the less will be the need in the future for Public Law 480 or other surplus disposal programs.

FOREIGN MARKET INDISPENSABLE

I would like to comment on the impact of today's high-level exports on American agriculture. Exports have always been important to our agricultural economy. But today, with the increasing application of technology and the resulting tremendous output of farm products, exports have taken on even greater importance and the foreign market has come to be an indispensable part of our total market.

Without belaboring the point, I think it is worth noting that in fiscal year 1957 the Commodity Credit Corporation was able to reduce its investment by almost $1 billion, largely due to exports. In an agricultural economy like ours, where acres are competing with one another for markets, it is significant that the output of 60 million acres—or 1 acre out of every 5 harvested—moved abroad last year. This meant additional income for farmers and had a bolstering effect on the domestic market.

American farm products are continuing to move overseas in substantial volume. Our figures for July–December 1957 show agricultural exports for the half-year period at about $2.1 billion, which is about 10 percent lower than July–December 1956. Principal reductions are in cotton, wheat, soybean oil, and rice. Principal gains are in corn and soybeans. Although the level will be somewhat lower than last year, we expect fiscal year 1958 to be another of the big export years for American agriculture.

STRONG FOREIGN COMPETITION

Today's high level of exports is being maintained in the face of continuing strong competition from many countries. This competition has been growing rather steadily as countries recovered from the Second World War and went on with further expansions of their agriculture. The competition is especially aggravated by the general practice of governments to intervene in the agriculture and trade of their countries. The extent of this intervention was reported in detail in the FAS report, Agricultural Policies of Foreign Governments, released last September.

Studying, appraising, and reporting on foreign agricultural competition is one of the major activities of Foreign Agricultural Service. We reported last year that Foreign Agricultural Service, at the direction of this committee, had expanded and intensified its studies of foreign competition. This expanded program has been continued in the manner requested. A sum not less than $400,000 was specified by

the committee, and this magnitude of activity has been carried out each year through work conducted in the foreign competition branches of the seven commodity divisions and the Foreign Agricultural Analysis Division. Although the agricultural attachés make a substantial contribution to our competition studies, we have not included any of their costs in accounting for this activity.

The results of these competition studies are released in a regular flow of published information going to agricultural, trade, governmental, and other interested groups.

I believe that all members of this committee in January received copies of our latest annual competition study, Competitive Position of United States Farm Products Abroad, which brought up to date the competitive position of our principal export commodities. This publication indicated where the competitive position of our farm commodities is strong and where it is weak. It reported such pertinent facts as competing foreign production, world stocks, the decline in dollar purchasing power in some countries, continued attempts at self-sufficiency, and existing barriers to our products.

A number of special studies of competition were made during the year, both by commodities and by geographic areas. These were listed by title in the annual report. They included studies of cotton's status in competing with foreign synthetic fibers; wheat price supports in foreign countries; dairy competition offered by Australia and New Zealand; competing world tobacco production; outlook for exports of fats and oils; competitive aspects of foreign fruit trade; trends in world livestock production and trade; and many others.

EXPANSION OF DOLLAR EXPORTS

FAS, in its analysis work, tries not only to keep American agriculture informed of current developments affecting exports but also to anticipate developments still around the corner. I think the committee will be interested in some projections that have been made regarding long-range export opportunities, particularly for dollar exports. I mention these projections because I think they represent the sort of guidelines that American agriculture very much needs in formulating its attitudes and programs.

In appraising the outlook, we set our sights on the year 1965. During these intervening years, American agriculture will continue to face the competition of expanding world agricultural production, but world population is increasing practically as fast, and this will help ease the pressure. Foreign economies are expanding, and we think foreign consumers will come to buy appreciably more of our farm products for dollars. We anticipate substantial increases in dollar sales of cotton, wheat, rice, feed grains, fats, and oils, and most fruits. We see possibilities of our dollar exports going as high as $4¼ billion by 1965. This would be 50 percent more than last year's dollar exports. It would match the present rate of total exports, including the substantial component under Government programs.

If achieved, this level of dollar exports will be a healthy accomplishment for American agriculture. However, it presupposes certain conditions. One important condition is that countries have sufficient access to our markets to earn the dollars needed in buying our farm

products. Another condition is that countries give our farm products access to their markets.

Continuation of the trade agreements program, more than any other single action, will help to meet these requirements. The committee is familiar with the Department's support of the program. We believe that American agriculture has a great stake in its continuation, for only through nondiscriminatory, multilateral trade can we hope to get this projected expansion in our dollar exports.

Last year's record exports were attained within the framework of the trade agreements program. Nearly four-fifths of our agricultural exports went to countries with whom we have trade agreements, and about two-thirds of such exports moved under some form of concession granted us under trade agreements.

With dollar shortages prevailing in many countries, there is always a temptation for countries to curtail their imports of United States farm products. The trade agreements program is both an important restraining influence against new restriction and a mechanism for getting existing restrictions liberalized. During 1957 many trade agreement countries liberalized their import policies on agricultural products from the dollar area. Our farm products benefiting from this have included fruits in various forms, vegetables, cotton, some livestock products, grains, fats and oils, and poultry products. The Foreign Agricultural Service played an active role in this accomplishment.

MONETARY SITUATION KEY TO EXPORTS

The key to American agriculture's ability to export for dollars is, of course, the ability of countries to pay. Therefore, any country's gold and dollar balance is an important factor influencing that country's decision to be more or less self-sufficient, liberal or restrictive in its import policies. It tells us whether a country is likely to be a good customer paying in dollars or will seek our farm products mainly through Government programs.

The foreign monetary analysis work of FAS continues to keep American agriculture constantly apprised of the financial climate that its exports encounter.

This activity, though performed by a relatively small part of the FAS staff, is making a fundamental contribution to the Department's entire export activity. The activity provides guidelines that help FAS to administer title I of Public Law 480 and other agencies to administer barter and export sales programs. It indicates when we are justified in pressing a country to give our farm products more favorable treatment. It enables effective participation in the trade agreements program. The information gained through the activity is shared with the United States agricultural trade and becomes an effective indicator of opportunities for foreign market expansion.

FOREIGN MARKET DEVELOPMENT

FAS activities are directed to all export commodities even though many are not in heavy surplus. Successful commercial market promotion for the present and also the longer range is dependent upon the availability of basic information currently collected, analyzed, and summarized by commodities. Market surveys carried out by com-

modity marketing specialists either independently or working with representatives of the trade uncover valuable export outlets. Direct contracts between United States exporters and foreign importers are established through many of these surveys.

A portion of the foreign currencies acquired through sales of surpluses is used to assist in financing many market development projects. These are carried out through United States trade associations who contribute a substantial portion of the costs in dollars and services and usually operate through foreign commodity associations who also contribute substantially.

The agricultural exhibits which have been financed in a number of international trade fairs with foreign currencies available for market development work have opened up trade contacts and market promotion possibilities. We have found it possible to cooperate with the Department of Commerce so that agricultural exhibits could be included in trade fairs in several countries where foreign currencies are not available.

We have here today some copies of two publications on market development—one a pictorial report and the other our annual report on developing foreign markets for United States farm products. These indicate the range of market promotion activities carried on with regular funds and with foreign currencies available for this work.

ATTACHÉ EFFECTIVENESS MAINTAINED

One of the reasons that the Foreign Agricultural Service is able to give effective support to American agriculture is, of course, the worldwide corps of agricultural attachés.

This is the fourth year since the attachés were returned to the Department of Agriculture. The presence of these people in principal foreign countries is indispensable to the activities of FAS, including market development, trade liberalization, reporting, and administration of export programs.

Some members of this committee know many of our attachés firsthand and have worked with them in the countries where assigned. The good reports from you and many others regarding the assistance they are rendering indicate the job they are doing, sometimes under very difficult conditions.

At the present time we have 78 agricultural attachés, assistant attachés, and agricultural officers, covering 51 posts. Their work is reinforced by capable foreign national assistants.

In order to stay within budget limitations, it has been necessary this past year to close the attaché posts in Calcutta, India; Quito, Ecuador; and Seoul, Korea. We have delayed filling posts in Montevideo, Uruguay, and San Jose, Costa Rica, and have eliminated a number of supporting positions.

1959 BUDGET REQUEST

The budget request for "Salaries and expenses," for 1959, is for $4,002,300, the same amount as for 1958. It is proposed also that $2,094,000 be alloted from section 32 funds, which is also the same amount as for the current year. These funds should enable us to

continue operations at our current level, and we hope to be able to fill the attaché posts presently open in Uruguay and Costa Rica. We are making every effort to cover the most essential posts and to utilize the personnel which is available to attain our program objectives to the fullest possible extent. We realize the importance of maximum efforts in aiding the agricultural trade in selling the products of United States farms abroad and expect to direct our coordinated efforts to this end.

We appreciate the opportunity of appearing before you in support of our appropriation request, and will be glad to answer any questions which you may have, if we are able to do so.

Mr. MARSHALL. Thank you, Mr. Secretary.

Mr. Garnett, do you have a statement which you wish to make?

Mr. GARNETT. No, sir.

AGRICULTURAL ATTACHÉS

Mr. MARSHALL. What problems are you having in obtaining attachés?

Mr. PAARLBERG. We have added a number of attachés. We think that we have been able to acquire competent people.

I do not think, Mr. Marshall, that there are any unusual difficulties in getting the kind of personnel that we need. We try to be careful and select good men.

Mr. MARSHALL. We were quite pleased, when we were on this trip into South America, to see the caliber of people that were working in the Foreign Agricultural Service; not only the Foreign Agricultural Service, but also our agriculturally trained people that were working on the point 4 program. We had the opportunity of meeting with a number of those people, and we were quite impressed with their dedication to the work they were doing.

STAFF AUTHORIZED

Mr. PAARLBERG. We appreciate that comment, and we are grateful that our efforts to get good men have been, at least to a considerable degree, successful. The latest staffing authorized at our 51 posts follows:

Attaché staff authorized by post as of Jan. 31, 1958 (permanent positions only)

	Attachés and assistants filled	American secretaries filled	Local agriculturists filled	Local clerical filled	Total filled
Europe:					
Austria	1	1	2	1	5
Belgium	1	1	1		3
Canada	2		1	2	5
Denmark	1		1	2	4
England	3	1	3	2	9
France	4	1	1	2	8
Germany, Bonn	3	1	3	2	9
Germany, Frankfort	1				1
Greece	1	1	1	1	4
Ireland	1		1	1	3
Italy	3	1	2	1	7
Netherlands	2	1	3	2	8
Portugal	1			2	3
Spain	2	1			3
Sweden	1	1	1	1	4
Switzerland	1		1	1	3
Yugoslavia	1	1		1	3
Subtotal, Europe	29	11	21	21	82
Latin America:					
Argentina	1	1	1	1	4
Brazil, Rio de Janeiro	3	1		2	6
Brazil, Sao Paulo	1			1	2
Chile	2		1	1	4
Colombia	2	1	1		4
Costa Rica	[1] 1		1	[1] 1	3
Cuba	2	1	1	1	5
Dominican Republic	2			1	3
Guatemala	1		1	1	3
Mexico	3	1	2	1	7
Peru	2		1	1	4
Uruguay	[1] 1		1	1	3
Venezuela	2	1			3
Subtotal, Latin America	23	6	10	12	51
Near East and Africa:					
Egypt	1		1	2	4
Iran	1		2		3
Iraq	1	1	1	1	4
Turkey	1	1		1	3
British east Africa (Kenya)	1			1	2
Equatorial Africa (Belgium Congo)	1	1	1		3
French north Africa (French Morocco)	1	1			2
Southwest Africa (Southern Rhodesia)	1			1	2
West central Africa (Liberia)	1	1			2
Union of South Africa	1		1		2
Subtotal, Near East and Africa	10	5	6	6	27
Far East:					
Australia	2		1	1	4
Burma	1		1	1	3
India, New Delhi	2	1	2		5
India, Bombay	1		1		2
Indonesia	1	1	1		3
Japan	3	2	1	1	7
Malayan States	1		1	1	3
New Zealand	1			1	2
Pakistan	1	1	1		3
Philippines	2	1	1	1	5
Thailand	1	1	1		3
Subtotal, Far East	16	7	11	6	40
Total	78	29	48	45	200

[1] Vacant.

Mr. MARSHALL. You mentioned countries like Costa Rica, for example, where you have delayed filling positions. Do you work with the Ambassador and his staff during the time that your post is vacant there?

Mr. GARNETT. Yes.

Mr. MARSHALL. The Ambassador and his staff are able, with a working arrangement with you, to carry on well while the post there is vacant?

Mr. GARNETT. Only to a very limited extent.

Mr. MINOR. We have a local assistant who is on the job and carries on, as much as he can, the collection of data.

ACTIVITIES UNDER PUBLIC LAW 480

COSTA RICA

Mr. MARSHALL. Why don't we have a 480 program in Costa Rica?

Mr. GARNETT. Well, it is a dollar area, and the principal justification for a Public Law 480 program is to be able to insure that it would provide consumption that otherwise would not take place. I think we would find it quite difficult to say that if we had a 480 program more farm products would be consumed. Dollars are available to buy what can be sold internally.

Mr. MARSHALL. What is our dollar trade value with Costa Rica?

Mr. GARNETT. That, I am sorry to say, I do not have.

Mr. MARSHALL. You might supply that for the record, but just offhand, do you have any idea about that?

Mr. GARNETT. I would imagine it would be somewhere in the neighborhood of $10 million.

Mr. IOANES. You might want to explain that Costa Rica is one of the posts that covers areas other than Costa Rica.

Mr. GARNETT. Yes; that is true.

Mr. TETRO. Costa Rica, Panama, and Nicaragua.

Mr. HORAN. What were those?

Mr. TETRO. Costa Rica, Panama, and Nicaragua.

Mr. GARNETT. That is what we call a regional post.

Mr. PAARLBERG. They obtain dollars from coffee and from bananas.

Mr. GARNETT. Yes, and there are some other tropical fruits that come in.

Mr. MARSHALL. Off the record.

(Discussion off the record.)

Mr. IOANES. I have the information.

Mr. PAARLBERG. Mr. Chairman, we have the figure here. For the year ending July 1957, the exports of agricultural products to Costa Rica totaled $5,546,000.

Mr. MARSHALL. We note, Mr. Secretary, that you found it necessary to close the attaché posts in Ecuador and Calcutta. What is their dollar value of exports to this country?

Mr. GARNETT. Calcutta is a part of India where we still have offices in Bombay and New Delhi.

AMOUNT OF EXPORTS MOVED WITH AND WITHOUT SUBSIDY

Mr. PAARLBERG. I should indicate, Mr. Marshall, that the commercial sales for dollars appearing in this computation includes both those sales which move for dollars without any Government subsidy and those which move for dollars with the help of the Government subsidy. They are both in that figure.

In other words, if we sell cotton, we receive dollars for it but we must use a Government subsidy to get the cotton to move. And those

dollars are included as commercial sales for dollars, even though there is a Government program in a sense that an export subsidy has been provided.

Mr. SANTANGELO. How much of that $2,800,000,000 is subsidy?

Mr. GARNETT. About 1.4—well, roughly, a half of the 2.8 moved without Government subsidy or a Government program of any kind.

Mr. SANTANGELO. So that there would be $1,400,000,000——

Mr. GARNETT. Without subsidy.

Mr. SANTANGELO. The value of the subsidy is about one-half of the 2.8?

Mr. GARNETT. I am sorry, I did not get it quite right.

On the 2.8 billion, roughly a half of it moved like poultry—that has no Government subsidy. The other half, like wheat, which requires about a 75-cent-a-bushel subsidy in order to permit it to compete in the world market.

We receive dollars in payment for the total of the 2.8 billion.

Mr. SANTANGELO. The question I was asking was how much of that $2.8 billion was actual dollar value?

Mr. GARNETT. All of it. We got back $2.8 billion.

Mr. PAARLBERG. But it did cost some additional dollars to move the 2.8.

Mr. SANTANGELO. How much did that cost?

Mr. IOANES. About 25 percent.

Mr. GARNETT. Roughly 25 percent.

Mr. MINOR. Twenty-five percent of that part——

Mr. GARNETT. Of that half which required subsidy.

Mr. SANTANGELO. Thank you.

Mr. MARSHALL. I think probably it would enlighten this committee if you were to include under the commercial sales the amount of funds that it cost us to get that.

Mr. GARNETT. Then, in other words, you would like to see the difference between the domestic market price and the foreign market price?

The 2.8 represents the foreign market price.

Mr. MARSHALL. That represents the foreign market price.

Now, obviously, the difference is something that we have to make up in some form or other.

Mr. GARNETT. That is correct.

Mr. MARSHALL. Then it is that part that I think we would be interested in having included.

Mr. PAARLBERG. Our accounting would make it possible to supply that information.

Mr. GARNETT. We will calculate that and submit it in the record at this point.

(The data referred to is as follows:)

During the fiscal year 1957 the total value of agricultural exports was $4.7 billion. $1.9 billion of this amount was exported under Government programs, and $2.8 billion worth of agricultural commodities were exported commercially for dollars. Of this $2.8 billion exported commercially for dollars, $1.7 billion was exported at prevailing domestic market prices. The remaining $1.1 billion exported commercially for dollars was exported at less than domestic market prices and had a domestic market value estimated at $1.4 billion. The $300 million difference represents the additional cost of exporting the $1.1 billion worth of agricultural commodities. The exports involved were primarily wheat and cotton.

All exports under title I of Public Law 480 were sold abroad for foreign currencies at world market levels and required subsidy for wheat, cotton, feed grains, and dairy products.

REPORT ON TRIP TO LATIN AMERICA

Mr. MARSHALL. I think at this point we ought to call your attention to a report made by the subcommittee on a trip into Central and South America.

This report is on page 128 of part 1 of the agricultural hearings, of this year.

We are proud of the report. We feel that, thanks to the assistance that you people gave us, we are much better informed about what is going on in Central and South America.

During this trip, several times the question came up as to where our agricultural trade existed, and I note in your statement, Mr. Secretary, in talking about trade, that nearly four-fifths of our agricultural exports went to countries with whom we have trade agreements, and about two-thirds of such exports went under some form of concession granted us under the trade agreements. And I am wondering, because of the fact that this question came up several times, if you would elaborate a little at this time as to the countries that are our good customers as far as trade is concerned, and point out to us rather briefly about the value of those countries as customers for agricultural commodities?

Mr. PAARLBERG. Our major customers for agricultural products are, in order of importance, for the fiscal year which just closed last July:

United Kingdom, with almost 500 million; Japan, 458 million; West Germany, 447 million; and Canada, 374 million.

Then come a number of other European outlets, some of lesser importance—I won't give you all the figures:

The Netherlands, Italy, Belgium, Spain, France, India took in the neighborhood of $200 million worth of our products in that year.

We sell considerable products to the Caribbean area and to Latin America, but these do not rank in importance with the European markets and with our growing market in Japan and our continuing important outlet in Canada.

EXTENSION OF RECIPROCAL TRADE AGREEMENT ACT

Mr. MARSHALL. What would be your feeling, Mr. Secretary, if the Congress failed to extend the Reciprocal Trade Agreement Act as far as agricultural trade is concerned?

Mr. PAARLBERG. I think this would be a very serious matter for agriculture. I think that it might result in raising trade barriers in a number of countries which would have two bad effects:

It would restrict the opportunity of foreign countries to earn dollars with which to buy our goods, and would also very likely result in specific barriers against our agricultural products. I think it would be a serious matter.

Mr. GARNETT. May I comment briefly on that?

In addition to what Secretary Paarlberg mentioned, I think that it would have two major impacts that would come rather quickly.

One is that it would intensify foreign governments' drive to become self-sufficient, to produce more of their own products regardless of the cost, so that they would have to import less.

And the second is that it would have the effect of reducing their foreign exchange earnings so that they would lack the actual foreign exchange to buy the farm products and would, therefore, begin to curtail the imports of United States farm products in order to control their payment problem.

As Dr. Paarlberg pointed out in his statement, we look forward to conditions in the world which would provide the United States an opportunity by 1965, of having a dollar export of around $4 billion to $4¼ billion.

This will be of immense importance to American agriculture. And this would not be possible to achieve if we change the terms of international trade by failing to extend the Reciprocal Trade Agreement Act.

I have here a brief statement of major developments in the trade agreements field, January 1957 through June 1958.

(The statement referred to follows:)

MAJOR DEVELOPMENTS IN TRADE AGREEMENTS FIELD, JANUARY THROUGH JUNE 1958

Activity in 1957 centered around two major items in the international agreements field.

(1) The United States proposal for an overall review during 1957 of the continued application by certain GATT countries of trade controls growing out of balance-of-payments difficulties (art. XII, GATT) was adopted by the contracting parties to the General Agreement on Tariffs and Trade. The United States participated in multilateral consultations with about 20 GATT countries beginning in June 1957. Emphasis in these consultations was placed on seeking further liberalization of such quantitative restrictions as have been imposed for balance-of-payments reasons.

Subsequently, there has been a further easing of import restrictions by some of the GATT countries. United States farm products benefiting from this easing of restrictions include fruits (in various forms), vegetables, cotton, some livestock products, grains, fats and oils, and poultry products. Among countries liberalizing further their import policies were Norway, Sweden, Italy, and Germany.

(2) During 1957 six countries—Italy, France, Germany, and the Benelux—began the formation of a common market. Much work has been done within the international agreements field in analyzing the potential impact of this common market on American agricultural products. During October and November discussions were held, under the auspices of GATT, with representatives of the six countries concerning mutual problems arising out of the forming of the common market. All interested GATT countries examined in concert, the impact of the proposed economic integration of these six countries upon world trade patterns and relationships. Continuing consultations on these common market problems will accompany the plan as it develops, with the GATT sessions serving as an effective international forum for this purpose.

During the first 6 months of 1958 our activities will be related to 2 main problems:

(1) On August 14, 1957, Brazil adopted a new tariff. This tariff provided for a change of nomenclature and of ad valorem rates for specific rates. Duties on many items have increased substantially. A United States delegation will participate in GATT negotiations with Brazil in the near future. The international agreements staff will backstop the negotiating efforts of this team, particularly on agricultural products. Our main purpose in these negotiations will be to minimize the adverse impact of Brazilian tariff changes on American agriculture.

(2) The Cuban Government has revised recently its complete tariff schedule, which has resulted in an increase in some of the Cuban tariff rates. Since tariff

concessions previously granted to the United States have been impaired, the United States intends to enter into tariff negotiations with Cuba this spring.

PURCHASE OF DOLLAR CUSTOMERS AT STAKE

Mr. MARSHALL. It seems to me that in looking over the countries that you have mentioned, that these countries are pretty largely countries that we think of in terms of being countries that have resources, rather than the distressed areas of the world.

Is that not true?

Mr. GARNETT. These dollar markets do have resources because of their great volume of trade. If that were restricted by a reversion to higher tariff policy, these countries would, by necessity, have to curtail their imports. That applies to the United Kingdom, Japan, the Netherlands, Italy, France, and countries of that type.

Mr. MARSHALL. This is obviously a two-way street. If these people are to continue to be good customers of ours, it means that we must take something in exchange for them. Does it not?

Mr. GARNETT. That is exactly what it means.

Mr. MARSHALL. We notice on this list that Cuba is rather high as a buyer of American farm products—$134 million is mentioned.

Now, Cuba is a comparatively small country; it is certainly small when you compare that with the balance of Central and South America. Their atmosphere is not too different than a number of other South American countries; yet, why do we have such a good dollar exchange with Cuba and have so little trade with some of the others?

Mr. PAARLBERG. We take so much of their sugar.

They have very large dollar earnings, and so they buy from us rice, beans, lard. We have a big trade with them, a 2-way trade.

With their economy, they can produce sugar, which we very much need; and in that respect, they are unique and not typical of other countries of South America producing agricultural products more similar to our own. It is hard to develop trade, for example, with Argentina, which is similar to us. And then there is Cuba, which can produce products which we need.

Mr. MARSHALL. Now, I can understand that, but taking a country like Costa Rica, for example, we mentioned here a moment ago that our trade with Costa Rica was about $5 million as compared to $134 million with Cuba.

The crops that they grow in Costa Rica are also crops that are quite noncompetitive with us.

Mr. PAARLBERG. Many of them are.

Mr. GARNETT. Because of Cuba's peculiar history in relationship to the United States, they have a much larger sugar quota.

Mr. MARSHALL. Now, isn't basically, one of the underlying reasons for this, whether it be sugar or any commodity that you can talk about, is because that in years past American investments have been such in Cuba that they have developed their resources to the extent that they have dollars with which they can trade with us?

Mr. GARNETT. That is right.

Mr. PAARLBERG. This is an important point.

Mr. GARNETT. To make it a little more specific, they have foreign exchange earnings that permit a relatively high standard of living, and foreign-exchange earnings to buy what the people want.

Mr. BURMEISTER. Costa Rica has not developed resources as Cuba has.

Mr. MARSHALL. Which is partly because of the interest that the United States has always taken in Cuba.

Mr. GARNETT. That is right.

Mr. MARSHALL. As far as agricultural commodities are concerned, the large proportion of our trade is still with these populated countries, principally in Western Europe. That is where our agricultural trade lies.

Mr. PAARLBERG. Mostly because they can earn dollars by sending things to us. As a result of the fact that they have well-developed economies, they can be productive.

FINANCIAL CONDITION OF FOREIGN COUNTRIES

You might be interested in a brief statement I have available on the financial condition of some of these countries.

(The statement referred to follows:)

FINANCIAL CONDITIONS OF FOREIGN COUNTRIES AND STATUS OF EXCHANGE CONVERTIBILITY AND TRADE LIBERALIZATION, 1957

Total gold and dollar holdings of foreign countries on September 30, 1957, amounted to $29,642 million, an increase of $314 million. However, this increase was made possible only by the additon of newly mined gold entering reserves and by $843 million drawings on the International Monetary Fund. During the period (January–September 1957) foreign countries made net dollar payments of $830 million to the United States. This is in contrast to the same period of 1956, when foreign countries received $1.1 billion from the United States and at the same time increased their liquid dollar and gold assets by $1.7 billion.

During this period seven major countries were able to substantially increase their exchange reserves. On the other hand, a large number of countries experienced a deterioration of reserves despite large dollar drawings from the International Monetary Fund.

Changes in gold and dollar assets of foreign countries (January–September 1957)

	Increase (millions)
Increases of more than $50,000,000:	
West Germany	$734
Venezuela	546
Canada	236
Italy	151
Cuba	69
Austria	55
Norway	53

	Published loss	IMF drawings	Adjusted loss
Decreases of more than $50,000,000:			
France	504	263	767
Japan	447	125	572
United Kingdom	316		316
India	+7	200	193
Netherlands	97	69	166
Argentina	47	75	122
Belgium	66	50	116
Brazil	92		92
Philippines	59		59

France, Japan, and the United Kingdom all experienced large declines in their gold and dollar assets. These losses would have been greater had it not been for $388 million drawings on the IMF during the period—France, $262.5 million; Japan, $125 million. The United Kingdom in December 1956 drew $561.5 million.

The deterioration of French gold and dollar assets is mainly the result of inflation, the Algerian crisis, and other factors relating to a rapidly expanding economy. Japan's balance of payments difficulties stem largely from the adverse trade impact of its large investment program. In the United Kingdom intense speculative pressure on sterling plus other capital exports contributed greatly to the decline of their exchange reserves.

Most of the countries that experienced declining gold and dollar holdings took remedial measures. These reforms were for the most part directed to relieve inflationary pressures by reducing domestic demand and investments. As a result in the short term the level of demand for imports will probably decline and the level of exports will likely increase. Also the outflow of capital will diminish.

In the fourth quarter (October–December) of 1957, and as a result of fiscal and monetary measures, the gold and dollar assets of these countries started to increase. The United Kingdom, Belgium, the Netherlands, and Japan were able to recoup some of their earlier losses. France, although not showing an increase in its gold and dollar holdings has partially succeeded in stabilizing the decline.

At present, the only foreign countries with freely convertible currencies are Switzerland, Canada, Mexico, Cuba, six Central American countries, Venezuela, and Liberia.

The financial pressures placed on some major foreign currencies in 1957, greatly impeded progress toward convertibility. In this connection the stronger members of the European Payments Union have made it clear that they will return to convertibility only in concert with the United Kingdom. Also, the internal fiscal and monetary measures which many countries employed to stop the drain on their gold and dollar assets will add to the postponement of convertibility.

On the other hand some countries, i. e., West Germany and Austria instituted monetary reforms directed toward eventual convertibility.

The trend toward increased multilateral trade continued in 1957. The creation of the "Hague" and "Paris" clubs, was followed by the establishment of a European Economic Community (EEC), or the common market on January 1, 1958. The EEC is comprised of West Germany, France, Belgium, Luxembourg, the Netherlands, and Italy. This arrangement in general calls for the gradual freeing of trade and payments and the removal of tariffs among the six countries. Also provided eventually is a common tariff against trade from third countries. Negotiations continued into 1958 for the creation of a European free trade area to be associated with the common market. This arrangement will be established on the basis of removal of tariffs among the member countries but allow individual countries to set their own tariff levels against third countries. The free trade area will include the common market countries and all other EPU countries.

Many countries continued to employ trade and exchange controls, supplemented by quantitative restrictions or multiple-exchange rate systems. Brazil, Argentina, and several other Latin American countries made exchange reforms and others, i. e., France, Finland, and Spain devalued their currencies. Although many countries experienced financial difficulties, only a small number reimposed import controls. France deliberalized all commodities from all areas, while Japan took steps to reduce imports from selected areas. In general, however, the liberalization of trade of other foreign countries has partially offset the adverse trade impact of those countries that reimposed import controls. Through the General Agreement on Tariffs and Trade and the OEEC, a number of European countries further liberalized imports of United States agricultural products. Norway, Sweden, Denmark, West Germany, Italy, and Austria all made further progress in liberalizing imports of United States agricultural commodities.

Mr. MARSHALL. The agricultural trade that we have with Cuba is a dollar trade proposition?

Mr. GARNETT. This is right.

Mr. MARSHALL. And the reason that we have a dollar trade in Cuba is because they have something with which to earn dollars?

Mr. PAARLBERG. This is true.

Mr. MARSHALL. That will provide for means of carrying on trade.

Mr. PAARLBERG. Right.

ECONOMIC DEVELOPMENT AS BASIS FOR TRADE

Mr. MARSHALL. When we look at the vast reservoir of other countries in South America, and some in Central America, their big problem is one of trying to get dollars with which to carry on their trade with the United States.

Mr. PAARLBERG. This is why they feel that they need economic development internally.

Mr. MARSHALL. Now when we think in terms of economic development, we have begun to think in terms of development as being something comparatively recent; but, actually, American investment did improve economic development in Cuba years ago.

Mr. PAARLBERG. Yes, sir.

Mr. MARSHALL. There was a different name that we might have called it, but the development took place.

Mr. PAARLBERG. My own view, Congressman, is that we have been in the past excessively preoccupied with developing American investment in Europe and elsewhere and we have, until recent times, overlooked the opportunities for economic development in the Western Hemisphere, in Latin America.

Mr. MARSHALL. In the countries that we visited in Latin America, without exception, we observed there a reservoir of market that is almost unbelievable if they had the money with which to do that.

And I am not thinking so much in terms of agricultural commodities as I am of American industrial commodities.

Mr. PAARLBERG. Yes.

One of the problems has been political instability in the area, which has been an additional risk in the minds of people who contemplate industry.

PUBLIC LAW 480 PROGRAM

Mr. MARSHALL. We saw a number of instances where Public Law 480 was moving a certain amount of our agricultural commodities into that area, and we saw a number of instances where we thought the countries were rather wisely using the funds that they had at their disposal because of their commodity, for sales or development purposes.

Mr. PAARLBERG. Yes.

Mr. GARNETT. Statements like that warm our hearts.

Mr. MARSHALL. But what concerned me was this: That from a standpoint of American foreign policy, it is wonderful, it just could not be improved upon from my standpoint. But as, in terms of developing a market for agricultural commodities with these countries, I do not see where we are going to do very much of that on either a dollar basis, because those people in those countries have such a dollar shortage that they are going to use their money for purchase of industrial commodities.

And, having come to that conclusion, the next conclusion that I came to was why the Public Law 480 program should be charged to the American farmers' price-support program.

Because it would seem to me it was so definitely a very vital and valuable part of our foreign policy.

Mr. PAARLBERG. Well, you have really two parts to your problem:

With respect to the first part, we feel that through Public Law 480, and through investing the currencies that are generated by this program in economic development, these countries can become more productive and will in time—it will take time—become better dollar customers for the United States.

This is the philosophy of the program, as you so well recognize: Not only good traders for agricultural products, but for all the things that we can produce for export in the United States.

ALLOCATION OF COSTS FOR PUBLIC LAW 480 PROGRAM

As for the manner in which the cost of this program is charged: The Congress has provided that in the accounting of the Commodity Credit Corporation that there shall be full recovery for all Public Law 480 disposals, so that the books of the Commodity Credit Corporation shall show no loss and, in fact, show a slight profit as the result of this operation.

In addition to what is shown in the Commodity Credit Corporation operations, the Secretary of Agriculture makes a report which is prepared by the accounting personnel in the Department, endeavoring to show on a broad basis the costs of various programs; and, in this accounting the difference between the amount that CCC has invested in these commodities, including acquisition, storage, administrative expenses; and the amount that is realized when they are sold—this being maybe 25 percent of the total—is charged as a cost of farm programs.

And I think I would argue, Congressman, that this is really the correct way to show it.

The difference between the world price and the CCC investment is a result of the activities undertaken with the hope of rasing prices and incomes of our farm people, and it has seemed to us to be thoroughly appropriate to show that in our overall accounting as a cost of programs primarily for the support of farm prices.

With respect to the remainder of the costs, I think your point is very well taken: that this is not solely or perhaps not primarily a cost of price and income support; it is a part also of the foreign policy of the United States Government, and we have not yet decided how all of these costs will be allocated.

Obviously, we cannot—because the program is as yet very new, and we do not know what ultimately will be realized on these currencies are being loaned back to the countries, and just how this accounting should be made. This involves departments other than Agriculture, and is a point that is as yet not fully resolved.

Mr. MARSHALL. I think it is unfortunate that some of the publicity which was given by the press recently referring to and concerning the Public Law 480 program shows that the entire cost was reflected back against the price-support program.

Mr. PAARLBERG. They have done this—I am sure they have. I have seen some such instances, but this was their own interpretation.

And each time, to my knowledge, that the Secretary has reported under the operations of this law before the various committees of the Congress and in his public statements, he has indicated that this is a multipurpose program, and it is not solely a program for supporting prices and incomes of the American farmers.

Mr. MARSHALL. How many agricultural people do we have in India?

Mr. GARNETT. Four, attachés and assistants.

KOREA

Mr. TETRO. Agricultural products from the United States to Korea in the fiscal year 1957 was 128 million. Total exports were 239 million.

Mr. GARNETT. Well, I would like to explain the Korean situation, which seems like a very large amount.

Korea is a rather special case. All of that moved in under some sort of a Government program, and there is a rather large ICA staff which is wholly adequate to head the 480 program, so that is is not like a real commercial post.

I do not want you to think that if there was a commercial market of 128 million that we would have withdrawn the agricultural attaché.

Mr. MARSHALL. In Korea, practically all of the sale of our agricultural commodities is a Government program of some kind?

Mr. GARNETT. That is right.

INDIA

Mr. MARSHALL. That is not true, however, as far as Calcutta is concerned; is it?

Mr. GARNETT. No, sir.

Mr. PAARLBERG. No, but a large share of our exports to India are also under a Government program.

The figure for Equador is a little over $5 million—agricultural exports.

Mr. MARSHALL. And the one at Calcutta—I mean, India, taking all of India?

You have four people working in India, and I am thinking there of, not all of the programs but the trade we have on a dollar basis.

Mr. IOANES. $205 million for India in the last fiscal year.

Mr. TETRO. Of what?

Mr. IOANES. He asked for the dollar trade.

Mr. PAARLBERG. The total is $205 million, including dollar sales and Government programs.

Mr. MARSHALL. When we talk about our foreign-trade picture, we talk in terms of dollar sales and also the various programs through which we have disposed of commodities.

Could you tell me how the dollar sales compare with the figures in the last 2 years?

Mr. GARNETT. Yes, sir.

From the last fiscal year, we exported 4.7 billion and of that 2.8 billion was straight commercial sales for dollars.

In the preceding year, it was 3.5 billion total, of which 2.1 billion was commercial sales for dollars.

UNITED STATES AGRICULTURAL EXPORTS

Mr. MARSHALL. Might I suggest that there is a good table here in this sheet, United States agricultural exports, that gives some very valuable figures, and I suggest that that be placed in the record at this time.

Mr. MINOR. Would you like the whole report, or just the tables?

Mr. GARNETT. Mr. Chairman, we prepared this at the request of two members of the Appropriations Committee, Congressman Andersen and Congressman Jensen. We feel that it contains a lot of useful information, and would be glad to have it put in the record.

Mr. MARSHALL. We will put the statement in the record at this point.

(The document referred to is as follows:)

UNITED STATES AGRICULTURAL EXPORTS

The United States is the world's largest exporter of farm products. In fiscal year 1957, the United States supplied 22 percent of world agricultural exports. The output of 60 million acres (1 acre of 5 of cropland) moved abroad.

Exports of United States farm products have gained substantially—from $2.8 billion in fiscal year 1953 to a recordbreaking $4.7 billion in fiscal year 1957, an increase of 68 percent in value, 94 percent in volume.

Exports are an essential part of the total market for United States farm products. In fiscal year 1957, exports were the equivalent of over half the wheat, cotton, and rice crops; over one-third the soybean production; one-fourth of the tobacco; one-half of the tallow; and one-fifth of the lard production.

Agricultural exporting is big business. The agricultural exports of fiscal year 1957 required financing, inland transportation, storage, and ocean transportation for 36 million tons of cargo—enough farm products to fill 800,000 freight cars and 3,600 cargo ships. In moving them, an average of 10 ships a day weighed anchor.

Exports are helping to reduce the farm surplus. In fiscal year 1957, Commodity Credit Corporation stocks were reduced by $600 million, and over 70 percent of this was due to exports.

Total exports of United States farm products last year were highest in history; commercial exports for dollars, second highest in history.

[In billions of dollars]

Year ending June 30	Total exports	Commercial sales for dollars [1]	Under Government programs [2]
1935–39 average	0.7	0.7	0
1946–55 average	3.3	2.1	1.2
1953	2.8	2.4	.4
1954	2.9	2.3	.6
1955	3.1	2.2	.9
1956	3.5	2.1	1.4
1957	4.7	2.8	1.9

[1] Includes sales of CCC commodities at less than cost.
[2] Includes sales for foreign currencies, barter, and donations.

A high level of commercial exports has been achieved within the framework of the trade-agreements program. Nearly four-fifths of United States agricultural exports go to trade-agreements countries. Nearly two-thirds of such exports move under concessions obtained by the United States under trade agreements. Nine-tenths of United States soybean exports and four-fifths of United States cotton exports in fiscal year 1957 moved under such concessions.

EXPORTS BY COMMODITIES (FISCAL YEAR JULY 1, 1956–JUNE 30, 1957)

Wheat

All-time high export of wheat and flour equivalent, 550 million bushels valued at $958 million. Equal to 55 percent of United States wheat production, 44 percent of world trade.

Cotton

Highest volume of exports in a quarter century, 7.6 million bales valued at $1,115 million. Equal to three-fifths of United States cotton production, half of world trade.

Soybeans

New record level of 77 million bushels, valued at $196 million. Equal to 17 percent of the United States crop, 80 percent of world trade. (Plus the oil from an additional 20 percent of the United States soybean production also was exported. In total the market for 37 percent of the United States soybean crop depended on exports.)

Soybean and cottonseed oils

Record exports of 1,386 million pounds, valued at $213 million. Equal to 27 percent of United States production. These oils, plus oil content of exported oilseeds, represent about half of world trade.

Rice

Record exports of over 26 million bags, valued at $190 million. Equal to 85 percent of United States production, 20 percent of world trade.

Feed grains

Corn, barley, oats, and grain sorghums moved abroad in relatively heavy volume, totaling 234 million bushels, corn equivalent, valued at over $350 million. Equal to 14 percent of United States marketed feed grains, 36 percent of world trade.

Tobacco

Six hundred million pounds leaf and tobacco products exported, valued at more than $400 million. Equal to one-fourth of United States tobacco crop, one-third of United States tobacco sales, 35 percent of free world tobacco trade.

Lard

Five hundred and fifty-seven million pounds exported, valued at $81 million. Equal to 21 percent of United States production, about 80 percent of world trade.

Tallow and greases

One and four-tenths billion pounds exported, valued at $111 million. Equal to 45 percent of United States production, 78 percent of world trade.

Dairy products

Three and three-tenths billion pounds (milk equivalent, fat basis) exported, valued at $231 million. Included 610 million pounds of nonfat dry milk and 178 million pounds of cheese.

Poultry

Forty-six million dollars worth of poultry and products exported. Included 47 million dozen eggs, 48 million pounds poultry meat, 22 million day-old chicks, 2.6 million pounds egg solids.

Fruit

Two hundred and thirty million dollars worth of fruit exported, equal to about one-tenth of United States production. United States supplied 21 percent of world fresh citrus trade, one-tenth of world fresh deciduous fruit trade, 36 percent of world canned deciduous fruit trade, 23 percent of world dried fruit trade.

Big buyers of United States farm products, fiscal year 1957

	Million		*Million*
United Kingdom	$498	Italy	$231
Japan	458	Belgium	170
West Germany	447	France	142
Canada	374	Cuba	134
Netherlands	259		

Total United States agricultural exports, commercial sales for dollars, and exports under Government programs for selected commodities, with percentage comparisons, fiscal year 1956–57

	Total value all commodities	Wheat [1]	Corn [2]	Rice, milled	Cotton	Tobacco	Edible oils [3]
	Mil. dol.	*Mil. bu.*	*Mil. bu.*	*Mil. cwt.*	*Thou. running bales*	*Mil. lb.*	*Mil. lb.*
Commercial sales for dollars [4]	2,794	172	64	4.4	4,149	442	1,441
Exports under government programs:							
Public Law 480 exports:							
Title I	883	199	14	17.9	1,379	53	665
Title II	88	12	2	.6			
Title III:							
Barter	401	86	46	.7	[5] 970		4
Donations	162	12	9	2.2			2
Total Public Law 480	1,534	309	71	21.4	2,349	53	671
Mutual security programs	396	67	15	.2	812	1	176
Total Government programs	1,930	376	86	21.6	3,161	54	847
Total United States exports	4,724	548	150	26.0	7,310	496	2,288
Total world exports [6]		1,282	269	[7] 133	[8] 15,936	[7] 1,412	[7] 4,684
United States production, 1956		1,004	3,455	32	13,151	2,179	6,004
CCC inventory June 30, 1956, plus 1956–57 fiscal year acquisitions [9]		1,116	1,083	31	12,826	([10])	250
Total exports under Government programs as percent of—							
United States exports (percent)	41	69	57	83	43	11	37
World exports (percent)		29	32	16	20	4	18
United States production (percent)		37	2	68	24	2	14
CCC holdings (percent)		34	8	70	25	([10])	339

[1] Wheat and wheat equivalent of flour.
[2] Corn and corn equivalent of cornmeal.
[3] Includes oil equivalent of soybeans and peanuts.
[4] Includes sales of CCC commodities at less than cost.
[5] Quantity shown based on amount invoiced to contractors. Approximately 500,000 bales exported before June 30, 1957 as evidenced by reports of country of destination.
[6] Exclusive of intra-Communist-bloc trade.
[7] Calendar year 1956.
[8] 480-pound bales.
[9] CCC inventory at beginning of fiscal year plus acquisitions during year represent the stock from which dispositions during the year were made.
[10] CCC has no inventory of tobacco.

EFFECT OF SUBSIDIES ON EXPORTS

Mr. GARNETT. I know that there has been a great deal of discussion on this, and I am not sure I can express or articulate just exactly my thoughts as well as I would like to.

But the situation is roughly this: that as long as our prices are competitive and move into world channels at the same prices that prevail domestically, you have the whole force of Government to help get that done; but, as soon as there is a subsidy and the export prices are less, this becomes a Government intervention, and the interest of agriculture, in particular, is subordinated to the interests of the whole Government.

This brings into play our alliances, our relation with many foreign countries, our whole military program, many security aspects that affect the whole United States Government.

And I have seen this work out many times, that when you have Government intervention involving a Government concession or a subsidy, the interest of agriculture then is subordinated to the interest of the whole United States; so that there gets to be a limitation on how far you can go in using the United States Treasury to subsidize the export farm program.

Mr. MARSHALL. Is it then your assumption that the American farmer can compete with foreign farmers who work for practically nothing?

Mr. GARNETT. This has become increasingly so, and I can give you an illustration:

In California, for example, it requires 8 man-hours of labor to produce an acre of rice. In Japan, which is one of the most efficient producers, it takes 800. The important consideration is labor cost. In many cases, United States labor efficiency offsets low wages to give us an advantage in labor costs.

This is true, perhaps, in all of the major export products. We are becoming increasingly efficient so that the wages are not so important. The important thing is labor costs, and our labor costs are low.

Mr. PAARLBERG. Labor cost per unit.

Mr. GARNETT. The labor cost per unit of production is probably lower in the United States than in most every other country, and they are becoming increasingly so and we feel that with freer agriculture, the United States export markets will expand. I would not want to make any promise that there would be an abrupt change; things just cannot happen this way with so many people involved, but we have a very firm conviction that our efficiency will provide an expansion——

UNITED STATES STAKE IN ECONOMIC DEVELOPMENT

Mr. MARSHALL. Now we have spent considerable time talking about some of these countries that have resources.

There are vast areas of this world that have huge populations with income of such a nature that it does not appear as though it would be possible for some time for them to be customers on a dollar basis, not only with us but with the rest of the world.

In connection with trade with those countries, taking countries, for example, in the Near East or Korea, what should be the attitude of our country in regard to those countries so far as trade is concerned?

Mr. PAARLBERG. Well, the attitude, I think, should be this: That these countries should be encouraged and in certain instances helped to develop themselves economically to get their productive level up so that they can sell commodities and earn dollars with which to

buy our commodities. This will help raise the levels of living in the countries. This will be the economic argument.

I think the argument, from a foreign-policy standpoint, would be that if the communities of two nations can develop themselves and trade among themselves, that this will strengthen the free nations, the political ties between them, and, likewise, serve the interest of this country.

So, I would say that both on an economic basis and on a political basis, we have a stake in encouraging these underdeveloped countries to raise their productive levels.

Mr. MARSHALL. However we do it, Mr. Secretary, it will be in the form of some kind of assistance or subsidy of some kind or another until they get on their feet.

Mr. PAARLBERG. Not necessarily. I think we can encourage, and we are encouraging, private capital to go in there and there is also some capital formation there. They themselves are making some savings, and investing this saving in improving the economy.

And there are the special programs. I think that all of these have a part—it is difficult perhaps to coordinate them, but all serve the purpose of lifting the levels of living in these countries and making them better trading fellows.

QUESTION OF CORRECT CHARGES TO AGRICULTURE UNDER PUBLIC LAW 480 PROGRAM

Mr. MARSHALL. We recognize the responsibility that the Department has in correcting some of this information that has gone out. What has the Department done to correct that misrepresentation that the press has placed in the minds of the people?

Mr. PAARLBERG. In the statements that we have made before the committees of the Congress and the Secretary in his statements in press conferences and various speeches that he has made, he has pointed out this fact. And, of course, we cannot control the way in which the press and the public pick up these things.

They sometimes emphasize certain aspects of it, rather than give the full picture.

Mr. MARSHALL. Do you feel that in this instance the press has been unfair in reflecting the attitude of the Department in news items?

Mr. PAARLBERG. I would say this is generally true, but I would say in certain instances it has been incorrect. Now, whether it was an inadvertent error or an oversimplification, or whether it was something less easily forgiven, I am not prepared to say.

Mr. MARSHALL. I think the majority of the members of this committee want to see that Public Law 480 is placed in its right light as compared with the price-support program. As you know, several of the members of this committee—and I am one of those—do not agree with the present philosophy of the Department with regard to the price-support program. However, we do feel that a truer picture can be given to the people. We feel that it is wrong, as you pointed out, Mr. Secretary, to charge some of the things that are being charged to the price-support program.

Mr. PAARLBERG. I agree with that. The language in the law itself, and the debate that surrounded the enactment of the law, all indicate that it is a program that has a number of purposes, of which disposal of agricultural products acquired under price support is but one.

Mr. MARSHALL. Now, is it your contention that if we did not have a price-support program, the American farm products would seek their level in the world market and would move in the world market then without any assistance as a matter of subsidy?

Mr. PAARLBERG. Well, if supports were withdrawn, a market would be established at some level. The answer is "Yes."

Mr. MARSHALL. Now, presently, through subsidizing this, you mention that we move 1 acre out of every 5 harvested.

Mr. PAARLBERG. That is right.

Mr. MARSHALL. In the world trade. That is a terrific market.

Mr. PAARLBERG. Indeed, it is.

Mr. MARSHALL. However, if these commodities move into the world trade, as you pointed out in your figures, a good percentage of that has moved because of the assistance that we have had through artificial means of subsidizing that movement.

Mr. PAARLBERG. This is true.

Mr. MARSHALL. Now, I wonder if I am understanding you correctly. Are you saying that, if the American farm market met the world level of competition, we could move these commodities without any subsidy?

Mr. PAARLBERG. I think they would move. I think that it would take time to make such an adjustment, and I think the price adjustment in the case of certain commodities would be considerable, and the adjustment would be difficult. But I do think that, if prices were permitted to seek their own level, these commodities would move into use, given time, at home and abroad.

Mr. MARSHALL. Granted your supposition would be entirely correct, would that mean that the four-fifths that we produced for the American market would also come down to the same level?

Mr. PAARLBERG. I think there would be a number of adjustments, but I think that the adjustment would be far greater for commodities like wheat and cotton than it would be for commodities like beef and pork, which are primarily domestic commodities.

Mr. MARSHALL. If I understand your statement correctly, the American farm products went to market, you would be able to expand it over and above this 1 acre out of 5. Would that be a fair assumption?

Mr. PAARLBERG. I have not said that. I do not know just what would happen. We have not endeavored to make a refined analysis of how great a volume of products we would move under those conditions. If this were to occur, let us think, for example, of cotton, probably the level of cotton prices throughout the world would be lower than is presently the case. Probably cotton production, which has been expanding in certain areas, would stabilize or be reduced, making room for more of our cotton.

Probably per capita cotton consumption in some of the poorer nations of the world would increase, making room for a little more cotton. And so, over time, you would have an adjustment in which a considerable volume of cotton could be exported.

We have not, to my knowledge, made any precise estimates as to what that volume would be. It would involve a great many assumptions, and would be very difficult to tell.

EFFECT OF REDUCTION IN PRICE OF COMMODITIES ON FOREIGN CONSUMPTION

Mr. MARSHALL. Would it be expected that these countries that you have listed as the big buyers of the United States farm products would consume greater quantities of those agricultural commodities—they are our customers on a dollar basis—if the price was reduced?

Mr. PAARLBERG. Yes.

Mr. MARSHALL. Now, would these countries who are good customers, that, I am sure, you are paying a great deal of attention to in trade, would they purchase many more commodities if they could get it at a lower price?

Mr. PAARLBERG. I think this would vary from one commodity to another. I think, for example, in wheat they would not purchase a great deal more wheat if the price were lower. I think, for some commodities, they might well purchase more. They might well purchase more tobacco and get less from the other areas that are expanding their own production. I would think that the adjustment would vary by country and would vary from one commodity to another. I think Mr. Garnett has a comment.

Mr. GARNETT. Well, I think the principal point is that three major export products would be involved. One would be wheat, one would be cotton, and the other would be tobacco. Each of those has somewhat a separate set of conditions, as to the impact of the lower price in this country.

In the case of wheat marketing in these principal countries, it would not increase consumption of wheat, particularly. A lower price for wheat would tend to deter production in competing countries. In the case of cotton, a lower price of cotton would lead to a lower price of raw materials for textiles and would take some of the romance out of manmade fibers. So, I think that cotton would have a definite impact.

In tobacco, we can say almost without equivocation that it would not change the consumption; that the foreign market prices are so rigged by foreign governments that the import price has little or no effect on the amount that is consumed.

But a lower price on tobacco would have a material deterrent to increased production in competing countries and a high price of tobacco would stimulate production in new areas at a very rapid rate.

You have to handle each one of the separately.

Mr. MARSHALL. I think you have given a very good brief explanation of your views.

In connection with these commodities, we have argued before that, as to what the Commodity Credit charter provides for, as to disposal of the commodities——

Mr. GARNETT. Yes, sir.

Mr. MARSHALL. You have the authority that you could meet world competition through the disposal of your commodities through that basis.

Mr. PAARLBERG. Yes.

LONG-TERM MARKET DEVELOPMENT

Mr. MARSHALL. The time for them to be good customers is a long-time approach, would you say?

Mr. PAARLBERG. Well I think the length of time will vary from one country to another. It took a long time for the United States, for that matter, a relatively long time for us to lift our production level in this country where we were really a good trading partner for the rest of the world. But we did it. Other countries can likewise do it.

The length of time would depend on the circumstances in the country, depend on the development of these countries, on the political stability in these countries, on the age, and on the encouragement that they get from this and other countries.

Mr. MARSHALL. I think at this point we should insert pages 109 and 113 of the justification in the record.

(The material referred to is as follows:)

STATUS OF PROGRAM

REMOVAL OF SURPLUS AGRICULTURAL COMMODITIES—ALLOTMENT FROM SECTION 32 FUNDS

Current activities

The foreign agricultural service receives an allotment from section 32 funds to carry out a broad program for the development of markets abroad for United States agricultural products in surplus or potential surplus supply. Under this allotment, the service also administers export programs, including those under the Agricultural Trade Development and Assistance Act, Public Law 480, and related authorizations, as well as import programs and controls.

Selected examples of recent progress

FOREIGN MARKET PROMOTION

1. *World cotton supply and demand projected.*—These reports which are published semiannually, together with statistical balance sheets maintained throughout the year, provide the principal basis for United States export trade projections as much as 1 year in advance. Export trade outlook data enter into calculations of price supports and acreage allotments for the coming year, and are used by governmental agencies and private business in developing export programs or plans for a year or more ahead.

2. *Foreign cotton markets studied by marketing specialists.*—During the past year cotton marketing specialists have made surveys of cotton market conditions and prospects in western European countries and in Asia and Australia. United States cotton is preferred in the markets of the free world. There are, however, some aspects of the problem that need further attention, including poor packaging and wrapping of bales, adaptation and use of instrumental quality tests to better meet the demand of foreign mills, and the development of permanent competitive pricing of United States cotton in world markets. The results of these market surveys are available to the cotton trade groups in the United States for use in guiding adjustments and changes in marketing methods and practices.

3. *Quality evaluation of United States and foreign cotton helps to build markets.*—A preliminary study was completed on the comparison and quality evaluation of some foreign-grown and United States cottons. United States cotton of the same grade and staple length had a higher overall quality index than the foreign growths in 11 of 15 comparisons. This report has been enthusiastically received by the various segments of the cotton industry both in the United States and abroad. Over 4,000 copies have been distributed. The results from this study have contributed scientific evidence to demonstrate the superior quality of American cotton. Through the technical service program of visiting foreign mill owners, textile organizations, and others, the results of this study are aiding in the expansion of outlets for American cotton.

4. *Continued development of the soybean market in Japan.*—Japanese demand for United States soybeans has been developed further through the improvement of the standards of exported soybeans. Investigations have been made of means for encouraging the use of more United States soybeans in Japanese soybean food products which are an important potential market. Studies are being made to determine methods of making the common Japanese soybean

foods—tofu, a soy curd, used in soup, miso, a soybean paste, and shoyu, a soybean sauce—made with United States soybeans as acceptable to Japanese consumers as those made with soybeans from Japan and China. Japanese report that United States soybeans give these products, which are an important source of protein, a different color, odor, texture, and consistency and are more costly to process. Reduction in foreign matter has been responsible for the further development of the market for United States soybeans for use by the Japanese crushing industry. This market is also being expanded by cooperative programs with government agencies for better health and nutrition aimed at encouraging the use of more oil to obtain a better dietary balance for the average person.

5. *Analysis of short Mediterranean Basin olive oil production provides essential information for marketing American cottonseed and soybean oil.*—An analysis of the Mediterranean Basin olive crop for 1955–56 pointed up the smallest production of olive oil in 5 years and provided justification for establishing 2 or 3 important Public Law 480 programs providing for large export sales of American cottonseed and soybean oils to Spain, Italy, and Greece. This analysis was published as the circular, Mediterranean Olive Oil Production in 1955–56 Smallest in Five Years: 1956–57 Outlook Better, dated July 19, 1956.

6. *World soybean production at record levels.*—A report on soybean production and trade pointed up the fact that world production of soybeans in 1956 reached a record high level for the third successive year. It also contained facts essential to the understanding of competitive situation facing the United States in marketing the soybeans from the 1956 crop. This report is of significance to the Commodity Credit Corporation which, for the first time in several years, has been required to take over large quantities of soybeans from the 1956 crop under the price-support program. The competitive situation for soybeans was reported in the circular, World Soybean Production and Trade, dated June 12, 1957.

7. *Imports on American fruits and vegetables liberalized.*—Efforts were continued to seek liberalization of trade in all significant markets. This was done not only under the auspices of the General Agreement on Tariffs and Trade but also through direct representations at the capitals of the countries by agricultural attachés and marketing specialists. Principal developments include:

(*a*) Austria liberalized imports of all dried fruits, walnuts, filberts, and almonds, and vegetable juices, except tomato juice.

(*b*) Denmark liberalized imports of all dried fruits (raisins had been liberalized earlier), seed potatoes, and tomato puree in bulk.

(*c*) Germany liberalized imports of all nuts and all dried fruits except raisins. Germany continued free dollar tender imports of a number of other fruits and issued a tender for canned fruits for the first time.

(*d*) Norway liberalized all tree nuts, canned asparagus, and canned fruits and juices of kinds not produced domestically.

(*e*) Japan broadened imports of fresh lemons by placing them under the automatic approval system while, at the same time, completely prohibited imports during the 3-month local lemon harvest period.

(*f*) Negotiations with Canada were concluded to reduce their import duty on prune juice and to eliminate a special internal tax thereon.

(*g*) The United Kingdom authorized dollar imports of $3.5 million worth of apples from North America. This trade was divided between the United States and Canada on the basis of commercial competition.

8. *Surplus rice stocks liquidated.*—During the year all surplus stocks of rice from the 1953–54 and 1955 crops were disposed of through (1) sales for dollars, (2) sales for foreign currencies under title I of Public Law 480, and for economic aid and relief under other titles of the act. This liquidation of over a million tons of milled rice represents double the total exports of United States rice in 1951. Commercial sales for dollars were maintained at slightly higher levels than for the previous year.

9. *World rice prices published weekly.*—The first regularly issued report on prices of rice moving in the world market from principal sources was developed and maintained throughout the year. This, according to enthusiastic reports from the rice trade, has contributed materially in facilitating current appraisal of world market trends.

10. *Comparative study of grade and quality of rice.*—A comparison study of the grade and quality of rice has been initiated. It will extend over a 2-year period. Under this project samples of rice will be taken in 38 countries through-

out the world. These samples are being graded according to United States rice standards and, through a laboratory analysis, they are being classified according to their physical characteristics, quality factors, nutritive ratings and reaction to various types of preparation and use. The results of these analyses will be of importance to the United States rice industry. It will give a direct comparison of foreign and United States rice. It will also provide for direct comparisons of competing rice on a price basis information that does not exist. The quality analysis portion of the project will provide the United States rice industry with factual and detailed information as to those areas throughout the world where specific varieties of United States rice will meet with the best consumer receptance and where the natural markets of a particular variety are located. Such data will be useful in market development and trade promotional work. It will be used in many ways by producers, cooperatives and associations, processors, exporters, as well as a wide range of technicians.

11. *Development of wheat markets in Greece and Italy.*—During 1956–57, two groups representing the wheat importing interests of Greece and Italy visited the United States under the market development provisions of Public Law 480. This was under an agreement between FAS and a wheat-producing organization of the Hard Red Winter wheat area. Marketing specialists coordinated the activities carried out under these two projects. Both groups toured the producing, handling, and manufacturing facilities of the United States Hard Red Winter wheat industry for periods of from 2 to 3 weeks. Their visits helped to acquaint them with the suitability of United States wheat for their domestic needs. Both groups had considerable praise for United States wheat. The overall reactions of the visitors as observed by marketing specialists and the attachés in Greece and Italy indicate a favorable outlook for increased United States wheat export to these countries. It was evident that both groups returned to their countries determined more fully to utilize United States sources of wheat.

12. *United States wheat exports set new records in 1956–57.*—United States exports of wheat and flour in 1956–57 set a new record estimated at 535 million bushels. Increased sales for dollars and under the barter provisions of Public Law 480 highlighted greater exports to European countries. Shipments under title I, Public Law 480, were largely responsible for the greatly expanded exports to countries of Asia such as India and Pakistan, and to some South American countries. The net effect of the high level of exports in 1956–57 has been to reduce wheat carryover stocks on July 1, 1957, by about 130 million bushels, and thereby, reducing the United States wheat surplus. This reduction reverses the trend of yearly increases in carryover stocks which began after 1952. An additional effect brought about by shipments under title I, Public Law 480, has been the very large exports of white wheat from the Pacific Northwest. As a result, the surplus of white wheat has been virtually eliminated.

13. *Production of desirable tobacco emphasized.*—During the past 2 years many complaints have been received from importing countries concerning the high proportion of undesirable grades of flue-cured leaf appearing on the United States market. Foreign importers emphasized the fact that further expansion in production of undesirable leaf would cause them to shift to other sources of supply. FAS representatives gave widespread publicity to this by means of conferences, speeches, magazine articles, and press releases, urging that growers take steps to produce the traditional varieties of flue-cured possessing the body, flavor, and aroma that has kept United States leaf as the standard of quality in world markets. With the support of the industry the Department took steps to discourage production of the undesirable qualities of tobacco. As a result, the 1957 crop is reported to consist almost entirely of those better grades which are in demand by both export and domestic trade.

14. *South African market opened to United States tobacco.*—A new market for duty-free United States tobacco (dark air-cured) was opened in the Union of South Africa during the past fiscal year, as the result of the cooperative efforts of the tobacco division and the attaché stationed in Pretoria. The waiver of duty of 49 cents per pound was the only reason that United States tobacco could be sold in this market. These exports were of substantial assistance in improving the marketing situation for dark air-cured leaf. Reports from the attaché indicate that the duty also will be waived during the 1958 fiscal year. Prospects are excellent for the export of about 2 million pounds to the Union.

IMPORT CONTROLS

1. *Section 22 investigations conducted.*—Section 22 of the Agricultural Adjustment Act, as amended, is designed to protect agricultural programs from being materially interferred with by imports. During the period July 1, 1956, through June 30, 1957, preliminary investigations were conducted on 16 commodities, including figs, dates, peanuts, rye, barley, oats, almonds, filberts, walnuts, tung oil, cheese, dried milk products, butter oil, lemon oil, flaxseed and linseed oil. Section 22 cases were prepared for presentation before the United States Tariff Commission on figs, dates, peanuts, rye, tung nuts, butter substitutes including butter oil, and ice cream mixes and other products containing butterfat.

2. *Section 22 import licenses issued.*—Presidential Proclamations 3019 and 3025 issued in June 1953 under section 22 of the Agricultural Adjustment Act, as amended, give the Department of Agriculture responsibility for apportioning imports and issuing import licenses for certain manufactured dairy products. During the period July 1, 1956, through June 30, 1957, 2,021 licenses for imports of cheese were prepared, 350 transfers of country of origin were authorized, 420 changes in port of entry were approved, and about 45 petitions for relief from hardship were received and examined. In addition, about 106 licenses for imports of manufactured dairy products other than cheese were issued.

SECTION 32 FUNDS AND MARKET PROMOTION

Mr. MARSHALL. We would like for you to discuss the use of section 32 funds for foreign market promotion. Can you tell us about that?

Mr. PAARLBERG. I can tell you a little about market promotion, but the budget details I think Mr. Minor can tell you. I think Mr. Fraser can tell you more about market development than I can.

I suggest that Mr. Fraser can tell us about market development and Mr. Minor can tell us perhaps about the budgetary arrangements to accommodate that purpose.

ORGANIZATION AND FINANCING

Mr. MINOR. Mr. Chairman, I will pass to you these charts on our organization. Our financing in FAS is tied in with organizational units. The agricultural attaché activities to the left under Mr. Tetro are financed entirely from appropriated funds, the "Salaries and expense" appropriation which the committee is considering.

In the area "Market development programs," under Mr. Fraser, there are seven commodity divisions. The Division Director and the Foreign Marekting and Commodity Analysis Branches are financed from section 32 funds entirely.

The Foreign Competition Branches are financed entirely from the salary and expense appropriation. That is really an extension of what, at one time, was the Research and Marketing Act appropriation which was incorporated into our own appropriation.

That same thing is true in each of the seven commodity divisions.

The Foreign Trade Program Division is financed entirely from section 32 funds. That division is responsible for the bringing together and carrying out the Public Law 480 program activities, although there are other parts of the Service that make major contributions. The Foreign Trade Program Division also has the responsibility as to the trade fairs and market development projects.

The agricultural trade policy and analysis area is under Mr. Burmeister. The Foreign Agricultural and Analysis Division is financed from salary and expense funds entirely, except for reimbursement for work that is done for ICA and another Government agency.

The Trade Policy Division is financed entirely from the direct appropriation, salaries and expenses.

The Foreign Training Division is financed entirely from funds transferred to us by the International Cooperation Administration.

The Import Programs Branch of the Import Division is financed from section 32 funds. The Sugar and Tropical Products Branch is financed entirely from salary and expense funds.

The management activities and overall direction are divided between these two funds relative to the work involved.

Mr. ANDERSEN. Mr. Chairman, could I ask Mr. Minor a question?

Mr. MARSHALL. Yes.

Mr. ANDERSEN. Mr. Minor, what does the section 32 basic law provide in authority to utilize any of those funds for these specific purposes?

Mr. MINOR. Section 32, Removal of surplus agricultural commodities, specifically authorizes aid in the export of United States agricultural commodities.

Mr. ANDERSEN. That is correct, but how do you construe that as utilized in some of those funds?

Now I am just seeking for the record information. I am not criticizing your action, but have you had the Solicitor pass on whether you could utilize those funds for some of these purposes as you have just illustrated in your statement?

Mr. MINOR. Yes, sir; we have, and there are Solicitor's opinions on the question. We have also presented this matter to this committee, and we have had some rather strong endorsements in the hearings and in the reports of this committee.

Mr. ANDERSEN. I realize that, but the thought came to me that perhaps you did not have direct authority to do this—to make these transfers from money designed to help the domestic producer to something that is more or less tenuous having to do with foreign fields.

Mr. MINOR. The act itself specifies that it is for use to encourage the exportation of agricultural commodities and the products thereof.

In other words, this use is specifically included as one of the purposes and its use is authorized for payment of benefits in connection with the exportation of agricultural commodities.

Mr. ANDERSEN. Let me reiterate. I am not objecting to your doing so. I feel you people are doing a splendid job in this particular work, and I want to see it made even stronger.

Mr. MINOR. I would like for you to note one thing, that we have very carefully maintained organizational lines in the use of these funds. Section 32 funds are used for market development activities and the appropriated funds for things like the international agreements and the attaché activities for which they are clearly provided.

Mr. ANDERSEN. Just one further question, Mr. Chairman, will you yield to me, please?

Mr. MARSHALL. Yes.

Mr. ANDERSON. You are asking, are you not, Mr. Garnett, for the same amount for salaries and expenses as we gave you for this fiscal year?

Mr. GARNETT. Yes, sir.

Mr. ANDERSEN. But under what we gave you for this fiscal year, you could not provide an agricultural attaché to Quito, Ecuador, could you?

NECESSITY FOR CLOSING POSTS

Mr. GARNETT. We did have to close that post.

Mr. ANDERSEN. And 1 or 2 other posts?

Mr. GARNETT. Yes, sir; three altogether.

Mr. ANDERSEN. Now are you telling us that you have sufficient funds, or did the budget cut you down? Did you request more than the budget allowed to you?

Personally I have been in Ecuador, not very long, but I dislike the idea of leaving that just cold and taking our attaché out of there.

Mr. GRANT. Mr. Andersen, there was a reduction of $100,000 in the Department's estimates. That $100,000 was for other purposes—it was in connection with the attaché service, but it was not for personnel, as I recall. It was travel expenses and some other incidental expenses.

Mr. ANDERSEN. Well, now, let me quote from Mr. Paarlberg's statement on the top of page 9:

> In order to stay within budget limitations, it has been necessary this past year to close the attaché posts in Calcutta, India; Quito, Ecuador; and Seoul, Korea. We have delayed filling posts in Montevideo, Uruguay; and San Jose, Costa Rica; and have eliminated a number of supporting positions.

Mr. MINOR. If you are asking if there are funds within the appropriation that will permit us to open additional posts, the answer would have to be "No."

Mr. ANDERSEN. That is the point I want to find out about.

Mr. MINOR. We do not have funds that would permit opening additional posts. We do hope to be able to fill the Montevideo and San Jose posts in the next fiscal year because closing the posts after part of the year has gone costs us about half the year's cost for the post and the next year we hope to have a little saving there that can be used to fill these two posts.

Mr. ANDERSEN. Well, Mr. Minor, how much additional would it take beyond what is requested in the budget here to make sure that these posts, which I have just quoted, plus the number of supporting positions that have been eliminated, can be taken care of? Would you place that in the record?

Mr. MINOR. I will be glad to.

Mr. ANDERSEN. I want to find out from you, gentlemen, how much it would cost to make sure. I don't want to see a paragraph like that in your report next year.

(The information requested follows:)

> It would take $200,000 to staff the posts which were closed and to fill the supporting positions, assistant agricultural attachés, local agricultural assistants, and clerical personnel which were eliminated to keep within the funds available for the 1958 fiscal year.

MARKET DEVELOPMENT WORK

Mr. PAARLBERG. May I ask Mr. Fraser to comment on the market development work, not in its budgetary, but in its applied aspects.

Mr. FRASER. Mr. Chairman, I think Mr. Minor has copies of recent publications——

Mr. SANTANGELO. Mr. Chairman, before he goes into this, I wanted, for my own clarification and understanding to ask one or two questions on the program.

Mr. MARSHALL. Go right ahead.

SALES FIRST OBJECTIVE OF PUBLIC LAW 480

Mr. SANTANGELO. As I understand it, under Public Law 480, it is the obligation to try to sell surplus foods for dollars before they are turned over to foreign countries, either for counterpart funds or under the foreign-aid program; is that correct?

Mr. PAARLBERG. That is right. There are various titles in Public Law 480. Title I is sales for foreign currency, title II is distribution to meet emergencies, and title III is aid to voluntary agencies and by other means.

Mr. SANTANGELO. The primary obligation, I understand, is to try to sell to the world market some of these surplus foods before using the Public Law 480 program.

Mr. PAARLBERG. The law requires they must make their normal sales and the sales for foreign currency are to be in addition to their normal sales.

Mr. SANTANGELO. Well, now, let me divide between the Western Hemisphere and the European sphere.

In the European sphere will you find a resistance to purchasing at dollar value, when they know they can get commodities under the Public Law 480 program?

Mr. PAARLBERG. We sell very little to northern Europe under Public Law 480, this being the region that by and large has the dollars with which to buy. We sell considerable quantities of agricultural products under Public Law 480 to the Mediterranean area which is short on dollars.

Mr. SANTANGELO. Let us take, for example, Western Germany. They purchase $447 million of United States farm products. Do they receive any under the Public Law 480 program?

Mr. PAARLBERG. Mr. Garnett.

Mr. GARNETT. They are not a 480 country. We did have one very small program there for very special purposes. The Germans had not been accustomed to buying United States poultry. We had a 480 program for $1,280,000 worth of poultry just to introduce the product.

Since that time, there have been no 480 programs. We anticipate none. They are now buying the poultry in the regular dollar market.

Mr. SANTANGELO. So with respect to this, there is no resistance on their part to purchasing on a dollar basis.

Mr. GARNETT. No problem.

Mr. SANTANGELO. Let's take Italy. What is the situation that exists there?

Mr. GARNETT. In the case of Italy, there is difficulty because the Italians are sort of in between. They are not an impoverished nation. They do have dollar problems.

The 480 program that we had was designed for several purposes. One was to get liberalization of the cotton market, and by liberalization I mean getting them to buy openly and freely and to encourage them to consume more farm products than they otherwise would. We have a very high level of usual markets in which they have to buy before they become eligible for 480 supplies.

Mr. SANTANGELO. Well, you find the resistance on the part of Italy——

Mr. GARNETT. This is a negotiating problem that is difficult.

Mr. SANTANGELO. What about, say, Poland and other countries which are in the area of the Communist countries?

Mr. GARNETT. Poland is more or less destitute. Until we started moving farm products under Public Law 480, we have no exports to quote.

Mr. IOANES. Very little.

Mr. SANTANGELO. Do they purchase anything for dollars, or do they get almost all under 480?

Mr. GARNETT. Almost all under 480. They have purchased small amounts under credit from the Canadians.

Mr. SANTANGELO. What about Yugoslavia?

Mr. GARNETT. I would like to have this off the record.

(Discussion off the record.)

Mr. SANTANGELO. To what extent did we give them aid under 480?

Mr. GARNETT. Roughly $100 million a year isn't it, Gordon?

Mr. IOANES. We will look it up.

Mr. GARNETT. The last year it was $80 million.

Mr. SANTANGELO. Repeat that.

Mr. GARNETT. $80 million. Market value of our exports to them was $80,406,000.

Mr. SANTANGELO. And we don't have any dollar sales there?

Mr. IOANES. There are some, limited.

The last fiscal year it was almost $15 million in dollar sales.

Mr. SANTANGELO. $15 million.

Mr. IOANES. And the total agriculture exports of everything were about $128 million.

Mr. SANTANGELO. And with respect to those countries in the Near East, can you give us some of the figures with respect to those?

Mr. GARNETT. Yes.

The largest taker is Turkey. Turkey received $53,274,000, and I can say unequivocably that their financial position is difficult. They have very little means of earning foreign exchange. It is an important area strategically and the supply of farm products during the period of short crops has been essential to maintain the economy of Turkey.

Mr. SANTANGELO. Do they have any dollar purchases from us?

Mr. GARNETT. It would be very negligible.

Mr. Ioanes, will you give us the dollar purchases in Turkey?

Mr. IOANES. Yes, sir. It is zero.

Mr. GARNETT. While we are in the same area, another important 480 country is Israel.

Mr. SANTANGELO. I was coming to it.

Mr. GARNETT. All right. Israel got $44,114,000 under Public Law 480. They did have dollar purchases.

Mr. IOANES. Of $17,460,000.

Mr. GARNETT. I am sorry. I would like to correct the statement. Israel was $15,980,000, and their dollar purchases?

Mr. IOANES. $17,460,000.

Mr. SANTANGELO. What about Egypt?

Mr. GARNETT. This year under contract we have no export under special programs to Egypt. There may have been some small dollar purchases. I think there were.

Mr. FRASER. Some donations under CARE program.

Mr. IOANES. $13,200,000.

Mr. SANTANGELO. That takes up the European sphere.

Now, with respect to the Western Hemisphere, the Latin American countries. They get 480 aid from us don't they?

Mr. GARNETT. They get a substantial amount.

We have seven countries that received Public Law 480 shipments in the last fiscal year.

Mr. SANTANGELO. Do their dollar purchases exceed the 480 aid that they receive from us?

Mr. GARNETT. I would think that that could be true.

Mr. IOANES. I could run down those figures. If you would read the country, I would read the comparable figures.

Mr. GARNETT. Argentina, $5 million under 480.

Mr. IOANES. The dollar purchases; Argentine, $1,500,000.

Mr. GARNETT. Brazil, $24,792,000.

Mr. IOANES. Dollar purchases; Brazil, $4,300,000.

Mr. GARNETT. Chile, $28,103,000.

Mr. IOANES. Chile, dollar purchases, $8,200,000.

Mr. GARNETT. Columbia, $4,971,000.

Mr. IOANES. Dollar purchases, $15,400,000.

Mr. GARNETT. Ecuador, $1,379,000.

Mr. IOANES. Ecuador, dollar purchases, $3,900,000.

Mr. SANTANGELO. So they are about even. Some of them have more under 480 than for dollars.

Would you say in those countries there is resistance to purchases in dollars when they know they can get under 480?

Mr. GARNETT. There is a resistance. Certainly a country prefers to get 480 purchases rather than to have to turn in dollars.

Mr. PAARLBERG. Your question, Congressman, has brought out this, that the bulk of our sales under 480 go to the countries that have few dollars. In fact, 80 percent of these commodities go to countries that are receiving foreign aid from the United States Government.

Mr. SANTANGELO. Without paying them counterpart funds?

Mr. PAARLBERG. Yes.

Mr. GARNETT. The bargaining position that we have on this works this way. We look at their usual market, what they have bought before, and we try not to include under 480 what they have been buying or what they might otherwise be able to buy. Sometimes we do modify the amounts if the foreign exchange position has deteriorated to a point where we feel that it would be unlikely that they would buy as much as they have in the past.

Mr. SANTANGELO. Let's take the situation of Argentina. As I recall it, under Public Law 480 we are giving them more than they are purchasing; is that correct?

Mr. GARNETT. We shipped them $5 million, and they bought one-million-some dollars.

Mr. IOANES. $1,500,000.

Mr. SANTANGELO. Well, then, there would be a valid inference that this 480 program is not to help out our foreign-aid program, but rather to help out the American farmer.

Mr. GARNETT. Yes.

Mr. SANTANGELO. It would be a multipurpose program as far as Argentina is concerned?

Mr. PAARLBERG. Well, the Argentine is a rather difficult country with which to develop either dollar trade or Public Law 480 program involving agricultural products because they produce wheat and cotton.

Mr. SANTANGELO. I notice in your justification that Argentina is one of the strongest competitors that the American farmer has with respect to wheat.

Mr. IOANES. May I comment on that just a second? Off the record, please.

(Discussion off the record.)

Mr. GARNETT. May I add to that on the record? It is true that Argentina normally exports many of the same products that we do, except for cotton. In this particular case, they were short of oil and this program was primarily vegetable oil at a time when they were short of vegetable oil. So that it wasn't that we were sending wheat or corn into Argentina but another product.

Mr. MARSHALL. Now just a minute, Mr. Garnett. Part of the reason that Argentina took these commodities from us was that they had had a shortage at that particular time on these commodities, wasn't it?

Mr. GARNETT. This was right, and we felt that they would otherwise not be buying those oils that we provided.

Mr. MARSHALL. As far as countries are concerned, practically everything that Argentina grows in an agricultural way is competitive with what we grow.

Mr. GARNETT. That is right.

Mr. MARSHALL. The prospect of developing agricultural trade on a bilateral basis between the United States and Argentina is pretty remote.

Mr. GARNETT. It would only be accidental such as a short crop which laid the basis for this transaction.

Mr. MARSHALL. Therefore when you think in terms of Argentina as being a country where we can provide for future agricultural development, as far as agricultural trade is concerned, that is wrong in our looking at a country as the Argentine. The assistance that we give them is purely foreign policy and nothing else.

Mr. GARNETT. We were glad to get rid of the oil.

Mr. MARSHALL. But you did it in such a way as to implement our foreign-policy program.

Mr. GARNETT. That is true.

Mr. PAARLBERG. Oftentimes these objectives will fit together very nicely, and then we are gratified.

Mr. SANTANGELO. You proved just contrary to what I said.

Mr. MARSHALL. Excuse me for interrupting. Do you want to pursue it?

Mr. SANTANGELO. No, I don't want to pursue it.

Mr. GARNETT. I was going to say that just north of that, in Brazil, the situation is quite different. The Brazilian economy is large. It is complimentary to our own and we do feel that we have the basis for expanding export markets and foreign policy.

Mr. SANTANGELO. For Brazil, is the 480 program greater than the dollar purchases?

Mr. GARNETT. Yes.

Mr. SANTANGELO. In view of the high price of coffee that we have in the United States, do you think you might be able to work out something where we can get coffee cheaper and still give them the commodities under 480?

Mr. GARNETT. Off the record.

(Discussion off the record.)

Mr. MARSHALL. Mr. Fraser, did you have something that you wished to comment upon?

Mr. FRASER. Yes. I believe the question was with regard to our market-development activities. This really falls into two categories. Mr. Minor has indicated the personnel that are paid from section 32 funds, and these constitute within the Commodity Division, our Commodity Analysis and our Market Development Branches.

The Commodity Analysis Branches keep in close touch with their respective trade groups, prepare regular reports and through telephone contact, letters, and so forth, provide information on foreign trade opportunities to the interested trade groups in the United States.

Our Market Development Branches are composed primarily of marketing specialists. They spend a good deal of their time abroad working on specific marketing problems.

Just to give one example; we have a cotton technologist who is skilled in the techniques of milling and using United States cotton and in assisting foreign mills to use the same grading and standards methods we use here in the United States. He has been very, very successful in increasing the acceptability and adaptability of our cotton in mills in a large number of countries abroad. We wish we had six more men like him.

Mr. Minor has copies of an annual report on our foreign market development activities which he will make available to the committee. There is also a pictorial report which spells out in a broader way the activities we are engaged in.

In addition to the regular staff type of operations which I have just described such as providing the trade information on trade opportunities seeing that the information gets to the proper trade groups, we are using foreign currency, as you know, to promote specific market development activities abroad.

To date we have engaged in 163 projects of this type in foreign countries—28 countries in total. The total number of projects includes 20 trade fairs that we have participated in; additional ones are scheduled for this year.

So far, a total of about $39 million worth of local currency has been set aside from Public Law 480 agreements to date for use in foreign market development for agricultural products.

Our procedure is not to do this work ourselves but rather to contract with United States trade associations and agricultural trade groups. On the back of the pictorial book you will find a list of these groups that are cooperating in this program.

I might say that some of these groups incorporate a number of other organizations so that the total number of United States trade

groups participating in this program is much larger than the 36 or 37 that are listed here.

I mentioned that there have been a total of 163 projects so far in 28 countries. This involves a total program of about $14,700,000, of which $2,800,000 has been contributed by United States trade groups or about 20 percent of the total and $11,900,000, or 80 percent of the total, has been contributed from Public Law 480 foreign currencies.

The most active programs are underway in Japan, France, Italy, Germany, Peru, Colombia, Spain. Programs are being developed in a number of other countries.

These programs cover practically every commodity we are interested in exporting and we feel that in a number of cases there have been some rather significant results already.

One use of these foreign currencies has been to publicize American farm products. This brochure on American fruits was printed in Austria. Thirty-four thousand copies of it have been made available. It is in four languages and gives a great deal of information on the quality, the standards and the availability of United States fruit products.

We have done a similar thing for United States dairy cattle and there are underway brochures for a number of other commodities.

I think, unless you have questions, that gives the picture.

Mr. ANDERSEN One question, if I may, Mr. Chairman.

Mr. MARSHALL. Yes, sir.

BUTTER DONATIONS

Mr. ANDERSON. I notice on page 17 of this brochure you have given us entitled "Developing Foreign Markets for United States Farm Products," you state on top of that page—

by late 1957, there had been no further butter donations under section 416.

Now I see that on the following page by the table that 157 million pounds of butter were exported in 1956, and that dropped down to 8 million pounds in 1957.

Now that has reference to butter which was available to you and practically given away; was it not?

Mr. FRASER. Would you like me to answer that?

Mr. GARNETT. Yes, please.

Mr. FRASER. Section 416, of course, is the donation part of Public Law 480 which operates through the voluntary agencies. Butter has not been available recently because of reduced CCC stocks.

Mr. ANDERSEN. I want to ask you this question. Why isn't it available? Does Commodity Credit own any butter?

Mr. PAARLBERG. Yes, we do.

Mr. ANDERSEN. How much?

Mr. PAARLBERG. I can't give you the exact figure. It is a fairly sizable quantity. I can put it in the record.

(The information requested is as follows:)

Uncommitted CCC stocks of butter on February 19, 1958, were 49,406,000 pounds.

Mr. ANDERSEN. That was my understanding, and I get back to my question. Why don't we continue to make this butter available for this particular program? Who made that decision?

Mr. PAARLBERG. This decision is made in the Commodity Credit Corporation Board.

Mr. ANDERSEN. You have told me that the Board has made a decision not to make the butter available to 416 program; is that it?

Mr. PAARLBERG. Yes, sir.

Mr. ANDERSEN. Well, now, what was their reason?

Mr. PAARLBERG. The reason was that we feel that our domestic people should—the needs of our domestic people, our own citizens who are on relief, that these should be met before we donate this butter abroad. In other words, we believe that charity begins at home.

Mr. ANDERSEN. All right, then, how much is being made available at home? I am in full agreement with that. What is being done to make this butter available to our people at home who need it?

Mr. PAARLBERG. It is not now on our distribution list, and the reason for that, Congressman, is this:

We do not like to put a commodity, especially one like butter, which is very highly desired by the people, on the list for distribution and then, in a short time, because our supplies are low, have to withdraw it. This makes a very great deal of difficulty.

Now, when we can foresee that this commodity is going to be available to us in a quantity sufficient to permit us to distribute it for sufficiently long periods of time so that people aren't disturbed by its being made available and withdrawing it, then we program it for domestic distribution.

Mr. ANDERSEN. Well, now, Mr. Paarlberg, I have got a lot of respect for your ability and knowledge. How much butter has been made available to the school-lunch program this past year, if any?

Mr. PAARLBERG. I think that I would have to check the facts, Congressman, but I think that during the fiscal year in which we now are, that it has not been available.

Mr. ANDERSEN. That is my understanding.

Somebody, it seems to me, has closed the door to permitting the use of butter in any of these particular programs. Now what is the reason for doing so?

First 416—they say it is not available for that program. Then there is none made available for the school-lunch program, even though school-lunch people are crying for foods under that particular program. They have practically nothing to distribute from the information that comes to me. And the same thing applies to turkeys and meat, as I informed you the other week, for distribution simply because we didnt' do as we should have done, and that was get in there and buy some turkeys to help the market last August and September when it was in the doldrums.

Now, somebody in the Department of Agriculture made that decision last fall, and they were wrong, in my opinion, because after all, section 32 money should be used to help agriculture get a fair price in the disposing of these surplus commodities. It is supposed to help the American farmer. It is the Department's responsibility to use that section 32 money to help farmers and when you fail to use it you simply are not doing your job.

Right now, Don, as you know, we are getting distressed about the shell-egg situation in my area, your group informed me that the prices

for the very best eggs for my area, that the shell market has reached the low point and you hope for it to start coming up.

Mr. PAARLBERG. It has shown a little strength recently.

SECTION 32 AND PERISHABLE COMMODITIES

Mr. ANDERSEN. Yes, but I can't see why you folks don't get in there and buy shell eggs or egg solids, and I might also say buy honey, and these things for which the producer today is not getting a satisfactory price.

I think, Don, that the purpose of section 32 is to help the farmers on these perishables. That is the basic purpose.

Mr. PAARLBERG. I thoroughly agree with that.

Mr. ANDERSEN. How much of section 32 money has been expended last year?

Mr. PAARLBERG. I think, Mr. Grant has that.

Mr. GRANT. In the fiscal year 1957, it was $171,099,578.

Mr. ANDERSEN. But this fiscal year, up to this point, Mr. Grant. I think the picture is pretty bleak as far as purchases are concerned.

Mr. PAARLBERG. As you know, the major perishable commodities for which large sums have been expended in the past, beef and pork, have been in relatively good position. While we bought a little hamburger, we have not made a very heavy outlay for these commodities.

Mr. ANDERSEN. I think you are entirely right in doing what you did on that. Pork and beef have been fairly high—not as high as they should be but above the hardship level at which you may step in with a purchase program.

But I am referring to the Department of Agriculture last fall refusing to get in and help the turkey market and right now I am trying to raise a little cain about building up a little pin money for the housewife in the way of egg money.

Mr. MARSHALL. My colleague from Minnesota shows his usual interest in the farmer.

Mr. PAARLBERG. Mr. Chairman, may I indicate for the record some figures with respect to distribution of butter through the school lunch program in fiscal year 1957.

The section 32 sum was a little in excess of $22 million.

The distribution through section 416 was a little in excess of $5 million.

I don't think that in my previous comments I had quite reflected the correct situation.

Mr. ANDERSEN. Mr. Paarlberg, I think the chairman will not object if you extend your remarks at this point relative to my question, please.

Mr. PAARLBERG. Thank you; I will be glad to do that.

Mr. ANDERSEN. Thank you; I will be glad to have that.

(The information requested is as follows:)

In fiscal year 1957, 46.3 million pounds of butter were made available to the school lunch program. In the 6 months period ending December 31, 1957, 36.8 million pounds had been made available.

Mr. MARSHALL. I think, at this point we will insert pages 114 through 140 in the justification.

(The material referred to is as follows:)

Activities Under Public Law 480, Agricultural Trade Development and Assistance Act

This statement describes the activities and shows the progress for the following:

I. Sale of commodities for foreign currencies under title I of Public Law 480.

II. Grants of commodities to friendly peoples for famine relief and other assistance under title II of Public Law 480.

III. Sale of commodities for foreign currencies under section 402 of the Mutual Security Act.

IV. Use of foreign currencies by the Foreign Agricultural Service for foreign market development under section 104 (a) of title I of Public Law 480.

I. SALE OF COMMODITIES FOR FOREIGN CURRENCIES UNDER TITLE I OF PUBLIC LAW 480

1. Authority

Title I of the Agricultural Trade Development and Assistance Act, Public Law 480, as amended, authorizes the President until June 30, 1958, to enter into agreements with friendly nations providing for the sale of surplus commodities for foreign currencies. In negotiating such agreements the President is required, among other things, to take reasonable precautions to safeguard usual marketings of the United States and to assure that sales for foreign currencies will not unduly disrupt world prices, to take appropriate steps to assure the use of private trade channels, and to give special consideration to the development and expansion of demand abroad for agricultural commodities. The legislation authorizes the Secretary of Agriculture to determine the nations with whom agreements shall be negotiated and to determine the commodities and quantities which may be included in such negotiations and agreements. The President is authorized to use, in agreement with the country concerned, foreign currencies accruing from sales for various purposes.

2. Total program agreements

As of November 30, 1957, a total of 104 agreements, or supplements to agreements were entered into with 35 friendly governments since the inception of the program. The total value of these agreements based on costs to the Commodity Credit Corporation is estimated at $3,057.6 million with an export market value of $2,025.6 million, exclusive of ocean transportation cost of $245.2 million to be financed by CCC. The commodity composition, export market value, and CCC cost of these agreements are as follows:

Commodity	Unit	Approximate quantity	Export market value	CCC cost
		Thousands	*Million dollars*	*Million dollars*
Wheat and wheat flour	Bushel	496,492	833.8	1,435.0
Feed grains	do	104,233	130.8	236.5
Rice	Hundredweight	25,470	164.8	290.4
Cotton	Bale	2,801	424.2	593.1
Cotton linters	do	17	.3	.3
Meat products	Pound	150,962	40.4	40.4
Tobacco	do	161,019	110.8	110.8
Dairy products	do	148,916	35.1	58.3
Fats and oils	do	1,788,011	277.5	284.9
Poultry	do	3,000	1.2	1.2
Dry edible beans	Hundredweight	44	.4	.4
Fruits and vegetables	Pound	125,338	5.9	5.9
Seeds	Hundredweight	9	.4	.4
Total commodities			2,025.6	3,057.6
Ocean transportation			245.2	245.2
Total			2,270.8	3,302.8

3. Shipments

About $1,600 million worth of these commodities at export-market value were shipped as of November 30, 1957. About $900 million of this amount represented shipments during the fiscal year 1957. Shipments for the year exceeded expectations because of accelerated exports to India, greatly improved availability of

United States-flag commercial vessels, and urgent country programs. The carryover of commodities as of June 30, 1957, consisted mainly of forward commitments under 3-year agreements with India and Brazil and programs signed near the end of the fiscal year.

The Foreign Agricultural Service collaborated with the Commodity Stabilization Service in getting the Maritime Administration to make available additional Government-owned vessels for the movement of agricultural commodities. Action taken included presentation of actual and expected tonnage requirements under title I of Public Law 480.

The value of shipments represented nearly 20 percent of the total value of agricultural exports during the fiscal year 1957. In terms of quantities, wheat exports comprised about 37 percent of total wheat exports during the fiscal year 1957, cotton 18 percent, and cottonseed oil and soybean oil 47 percent.

Sales for foreign currencies have been made on the same price basis as that for commodities available for export sales for dollars.

4. Progress during 1957 fiscal year in negotiating agreements

(*a*) *Brazil.*—An agreement was negotiated with Brazil involving the sale of $138.7 million worth of surplus agricultural commodities. The sale of $111 million worth of wheat or wheat flour will help the United States realize a reduction in the carryover of wheat for the first time in several years. The wheat will be delivered over a 3-year period; the remaining commodities, lard, dairy products, and vegetable oils, will be shipped this year. The agreement will help to promote the economic development of Brazil and permits the development of new markets for United States agricultural commodities.

(*b*) *Colombia.*—The $20.4 million agreement entered into with Colombia provides that 61 percent of the value of the commodities will be financed by the United States under title I and the remaining 39 percent will be financed by Colombia. The wheat and wheat products will be delivered over a 3-year period. Use of these commodities is expected to result in lower costs of wheat products to Colombian consumers. Other commodities provided for in the agreement are cotton and edible oil.

(*c*) *Poland.*—An agreement with Poland provides for the sale of $18.9 million worth of cotton, and fats and oils. The agreement was signed at the same time that $30 million in credit was made available to Poland through the Export-Import Bank. This loan will be used for the purchase of agricultural products and mining machinery.

(*d*) *Philippines.*—$10.3 million commodity agreement entered into with the Phillipines provides that the pesos received in payment for the various commodities will be used for economic development in that country, common-defense purposes, and for various expenditures of the United States Government. The agreement represents the culmination of many months of negotiation and paves the way for the development of additional markets for United States agricultural commodities. Commodities to be shipped are rice, cotton, dairy products, meat, tallow, and dry edible beans.

(*e*) *United Kingdom.*—The $2.2 million citrus fruit agreement entered into with the United Kingdom represents the first inclusion of fresh oranges, lemons, grapefruit, and canned grapefruit sections in a title I program with that country. The sterling received in payment will be used to construct additional family housing for United States military personnel and for market development.

5. Program results

Table I shows the commodity composition of the agreements entered into through November 30, 1957, in terms of dollar amounts, table II, the approximate quantities, and table III, the planned uses of the foreign currencies.

6. Amendments to title I

Public Law 128, approved August 13, 1957, increased the maximum amount authorized under title I from $3 billion to $4 billion. Authority to enter into agreements was extended 1 year from June 30, 1957, to June 30, 1958. Section 104 (e) of the act was amended to provide that not more than 25 percent of currencies received under each agreement shall be available for two types of loans to private business firms: (1) loans to United States business firms for general business development and trade expansion, and (2) loans to either United States or foreign business firms for expanding markets for, and consumption of, American agricultural products abroad.

A proposal is being submitted to increase the title I authorization from $4 to $5½ billion and to extend the authority to enter into agreements from June 30, 1958, to June 30, 1959.

Public Law 128 also provided for a report to the Congress on foreign currency agreements within 60 days after the signing of each such agreement. Reports are to be made to the Senate and House of Representatives, and to the Committees on Agriculture and Appropriations.

Section 104 (h) of the act was amended by the Mutual Security Act of 1957, approved August 14, 1957. The amendment provides for the set-aside of currencies for international educational exchange activities up to $1 million a year in any one country for a period of not more than 5 years in advance, as may be determined by the Secretary of State.

Section 304 of the act was also amended by Public Law 128 providing authority to conduct barters and make section 416 donations to the European satellites on a selective basis. The amendment, however, would continue to prohibit such transactions with the U. S. S. R., Communist China, or with any of the areas dominated or controlled by the Communist regime in China.

TABLE I.—*Commodity composition of programs under title I, Public Law 480 agreements signed from beginning of program through Nov. 30, 1957*

[In millions of dollars]

Country	Wheat and flour	Feed grains	Rice	Cotton	Tobacco	Dairy products	Fats and oils	Other	Market value	Ocean transportation [1]	Market value, including ocean transportation	Estimated CCC cost, including ocean transportation
Argentina							30.4		30.4	0.7	31.1	33.5
Austria	5.9	14.7		10.6	3.8		4.4	[2] 0.3	39.7	3.5	43.2	62.7
Bolivia	4.8		1.5						6.3	.5	6.8	9.1
Brazil	[3] 144.9	.6			.3	2.2	7.9		155.9	24.0	179.9	297.1
Burma				17.5	2.1	2.0		[2] .2	21.8	.9	22.7	32.2
Chile	14.2			7.3	.3		14.9	[4] .4	37.1	3.1	40.2	56.7
China (Taiwan)				5.0	1.7	1.5	1.0		9.2	.6	9.8	12.5
Colombia	13.4			9.5			3.6		26.5	2.7	29.2	40.0
Ecuador	2.2			.8	.7		3.8		7.5	.6	8.1	10.0
Egypt	17.0								17.0	2.5	19.5	36.5
Finland	7.7	2.4		6.8	7.0			1.2	25.1	2.1	27.2	38.1
France					2.0				2.0		2.0	2.0
Germany								[5] 1.2	1.2		1.2	1.2
Greece	19.1	5.8				3.2	13.7		41.8	4.7	46.5	66.5
Iceland	.6	.8		.1	.3		.2	[2] .5	2.5	.3	2.8	3.6
India [6]	200.0		26.4	70.0	6.0	3.5			305.9	[7] 60.2	366.1	561.0
Indonesia	5.0		35.8	36.0	15.0				91.8	6.9	98.7	154.9
Iran	9.5					.8			10.3	2.6	12.9	21.0
Israel	25.5	18.8	.5	3.4	.6	14.7	5.1	[8] 10.4	79.0	8.3	87.3	135.1
Italy	1.5	5.5		65.3	8.9		42.4		123.6	4.4	128.0	166.7
Japan	48.6	15.2	13.7	52.8	7.7				138.0	13.4	151.4	208.5
Korea	8.7	15.3	24.5	9.8	6.6	.4	.5	[9] 8.0	73.8	8.5	82.3	97.6
Mexico		26.6							26.6	1.6	28.2	65.6
Netherlands				.3					.3	neg.	.3	.4
Pakistan	64.8		58.5	29.0	4.7	4.7	3.4		165.1	21.0	186.1	292.0
Paraguay	1.7					.4	.5		2.6	.4	3.0	4.3
Peru	12.0					.1	1.0		13.1	1.3	14.4	23.5
Philippines			2.5	4.9		1.1	.5	[10] .6	9.6	.7	10.3	15.1
Poland	25.6			31.5			3.6		60.7	4.7	65.4	90.7
Portugal [11]	6.3								6.3	.9	7.2	13.5

See footnotes at end of table, p. 978.

TABLE I.—*Commodity composition of programs under title I, Public Law 480 agreements signed from beginning of program through Nov. 30, 1957*—Continued

[In millions of dollars]

Country	Wheat and flour	Feed grains	Rice	Cotton	Tobacco	Dairy products	Fats and oils	Other	Market value	Ocean transportation [1]	Market value, including ocean transportation	Estimated CCC cost, including ocean transportation
Spain	4.6	9.4		[12] 32.9	6.2		98.4	[13] 18.9	170.4	13.9	184.3	207.3
Thailand					3.9	.5			4.4	.2	4.6	4.9
Turkey	58.0	15.7	1.4				16.2	[14] 4.4	95.7	15.9	111.6	158.3
United Kingdom					33.0			[15] 2.2	35.2	.4	35.6	35.6
Yugoslavia	132.2			31.0			26.0		189.2	33.7	222.9	345.1
Total agreements	833.8	130.8	164.8	424.5	110.8	35.1	277.5	48.3	2,025.6	245.2	2,270.8	3,302.8

[1] Includes only ocean transportation to be financed by CCC.
[2] Fruit: dried, fresh, and juices.
[3] Includes $110,000,000 under fiscal year 1957 agreement to be shipped over a 3-year period.
[4] Hay and pasture seeds.
[5] Poultry.
[6] 3-year program except rice, which is a 1-year program.
[7] Includes $6,000,000 estimated for ocean-freight differential for which no rupee deposits are required. The balance, $54,200,000, only, is reflected in the currency use table III.
[8] Dry edible beans, $300,000; chilled or frozen beef, $10,000,000; dried prunes, $100,000.
[9] Canned pork.
[10] Variety meats, $500,000; dry edible beans, $100,000.
[11] Wheat to be sold to Spain for resale to Switzerland for financing procurement of Swiss goods by Spain.
[12] Cotton linters, $300,000.
[13] Hams, $1,600,000; salt pork, $400,000; potatoes, $1,400,000; frozen beef, $15,500,000.
[14] Canned and frozen beef, $4,400,000.
[15] Fruits, fresh and canned.

TABLE II.—*Approximate quantities of commodities under title I, Public Law 480 agreements signed from beginning of program through Nov. 30, 1957*

Country	Wheat and flour	Feed grains [1]	Rice	Cotton	Tobacco	Dairy products [2]	Fats and oils [3]	Poultry	Dry edible beans	Fruits and vegetables [4]	Meat [5]	Hay and pasture seeds
	Thousand bushels	*Thousand bushels*	*Thousand hundredweight*	*Thousand bales*	*Thousand pounds*	*Thousand pounds*	*Thousand pounds*	*Thousand pounds*	*Thousand hundredweight*	*Thousand pounds*	*Thousand pounds*	*Thousand hundredweight*
Argentina							219, 169					
Austria	3, 497	10, 285		70. 3	6, 090		33, 064			1, 969		
Bolivia	2, 412		228									
Brazil	[6] 85, 091	369			121	7, 035	50, 918					
Burma				125. 2	2, 772	9, 682				1, 579		
Chile	8, 651			50. 9	400		84, 738					9
China (Taiwan)				35. 6	2, 000	5, 062	10, 811					
Colombia	6, 879			59. 8			21, 503					
Ecuador	1, 130			6. 0	856		30, 193					
Egypt	10, 645											
Finland	4, 558	1, 581		41. 2	11, 829					10, 720		
France					3, 216							
Germany								3, 000				
Greece	11, 141	5, 328				25, 484	79, 051					
Iceland	284	616		.5	320		1, 373			8, 987		
India [7]	123, 519		4, 409	500. 0	6, 000	14, 770						
Indonesia	2, 889		5, 632	244. 5	23, 037							
Iran	5, 227					1, 622						
Israel	14, 788	16, 019	7	19. 9	841	60, 170	34, 200		37	882	40, 000	
Italy	887	3, 924		453. 8	11, 798		257, 652					
Japan	31, 030	12, 058	2, 142	317. 0	9, 839							
Korea	5, 507	13, 181	3, 469	49. 9	12, 667	1, 288	3, 125				19, 842	
Mexico		20, 501										
Netherlands				1. 8								
Pakistan	38, 790		9, 006	189. 5	5, 317	10, 219	24, 183					
Paraguay	994					933	3, 126					
Peru	7, 207					154	7, 964					
Philippines			357	32. 7		10, 540	4, 125		7		1, 867	
Poland	14, 808			197. 9			42, 317					
Portugal	3, 879											

See footnotes at end of table, p. 980.

TABLE II.—*Approximate quantities of commodities under title I, Public Law 480 agreements signed from beginning of program through Nov. 30, 1957*—Continued

Country	Wheat and flour	Feed grains [1]	Rice	Cotton	Tobacco	Dairy products [2]	Fats and oils [3]	Poultry	Dry edible beans	Fruits and vegetables [4]	Meat [5]	Hay and pasture seeds
	Thousand bushels	*Thousand bushels*	*Thousand hundredweight*	*Thousand bales*	*Thousand pounds*	*Thousand pounds*	*Thousand pounds*	*Thousand pounds*	*Thousand hundredweight*	*Thousand pounds*	*Thousand pounds*	*Thousand hundredweight*
Spain	[6] 2,446	6,808		[9] 221.9	11,388		562,806			66,667	72,649	
Thailand					5,332	1,957						
Turkey	33,685	13,563	220				115,576				16,604	
United Kingdom					47,196					34,534		
Yugoslavia	76,548			199.7			192,117					
Total	496,492	104,233	25,470	2,818.1	161,019	148,916	1,778,011	3,000	44	125,338	150,962	9

[1] See the following:

	Thousand bushels
Corn	53,272
Oats	5,806
Barley	33,143
Grain sorghums	12,012
Total	104,233

[2] See the following:

	Thousand pounds
Condensed milk	7,054
Dry whole milk	3,869
Nonfat dry milk	59,782
Evaporated milk	18,236
Butter	29,308
Cheese	13,494
Butter oil	1,144
Butter oil and/or ghee	6,472
Ghee	7,556
Whey	2,001
Total	148,916

[3] See the following:

	Thousand pounds
Cottonseed oil and/or soybean oil	1,107,731
Cottonseed oil, soybean oil, and/or lard	256,255
Linseed oil	12,733
Lard	224,920
Tallow and/or grease	176,372
Total	1,778,011

[4] See the following:

	Thousand pounds
Austria, canned fruit, and fruit juices	42
Dried fruit	1,927
Burma, canned fruit, and fruit juices	769
Dried fruit	810
Finland, dried fruit	9,800
Fresh pears	920
Iceland, fresh citrus fruits and juices	8,987
Israel, dried prunes	882
Spain, potatoes	66,667
United Kingdom, fruits, fresh and canned	34,534
Total	125,338

[5] See the following:

	Thousand pounds
Philippines, variety meats	1,867
Israel, frozen beef	40,000
Korea, canned pork	19,842
Spain:	
Canned hams	2,571
Salt hams	2,149
Frozen beef and variety meats	67,929
Turkey, frozen beef	16,604
Total	150,962

[6] Includes 55,869,000 bushels under fiscal year 1957 program to be shipped over a 3-year period.

[7] 3-year program except rice which is a 1-year program.

[8] Wheat to be sold to Spain for resale to Switzerland for financing procurement of Swiss goods by Spain.

[9] Includes 15,400 bales cotton linters.

TABLE III.—*Planned uses of foreign currency under title I, Public Law 480 agreements signed from beginning of program through Nov. 30, 1957* [1]

[Amounts in millions]

Country	Total amount programed (market value including ocean transportation)	Market development (104 a)	Purchase of strategic material (104 b)	Military procurement (104 c)	Purchase of goods for other countries [2] (104 d)	Grants for multilateral trade and economic development (104 e)	Loans to private enterprise (104 e)	Payment of United States obligations [3] (104 f)	Loans for multilateral trade and economic development (104 g)	International education exchange (104 h)	Translation and publication (104 i)	Information and education (104 j)
Argentina	$31.1	$0.6			(2)			$9.8	$20.0	$0.7		
Austria	43.2	1.0			$2.9			12.3	26.3		$0.1	$0.6
Bolivia	6.8	.3						.7	5.4	.2		.2
Brazil	179.9	2.7	$3.2	$2.0				19.1	149.4	2.1	.5	.9
Burma	22.7	.5			(2)			4.1	18.1			
Chile	40.2	.8		.1				7.0	31.7	.6		
China (Taiwan)	9.8	.7		4.9				3.4		.8		
Colombia	29.2	.8		.1	(2)			4.7	22.2	.6	(4)	.8
Ecuador	8.1	.4						.8	6.3	.4		.2
Egypt	19.5	.5						4.7	13.6	.7		
Finland	27.2	.5			[2] 13.0			13.3		.3	(4)	.1
France	2.0	1.1			.6			.3				
Germany	1.2	1.1						.1				
Greece	46.5	1.9				$7.5		9.4	26.6	.6		.5
Iceland	2.8	.1						.5	2.2			
India 3-year program	[5] 360.1	4.0			[2] 5.0	54.0		61.2	234.1	1.8		
Indonesia	98.7	1.0	2.0					16.4	79.0	.3		
Iran	12.9	.2		5.9				3.3	2.5	.7		.3
Israel	87.3	.7			(2)		$8.7	19.6	58.3			
Italy	128.0	2.7	1.0		[2] 10.0			25.3	88.0			1.0
Japan	151.4	3.3		(4)	11.0			[6] 25.7	109.3	2.1		
Korea	82.3	.5		66.1				14.2		.9		.6
Mexico	28.2	2.5					7.1	2.9	13.6	1.2		.9
Netherlands	.3	.3						(4)				
Pakistan	186.1	2.4		79.3			16.4	28.7	54.4	2.1	1.3	1.5
Paraguay	3.0	.2						.5	2.2	.1		
Peru	14.4	.9		.1				2.2	10.4	.4	.1	.3
Philippines	10.3	.8		2.1				1.5	5.2	.7		
Poland	65.4							65.4				
Portugal	7.2	.3						3.1	3.5	.3		

See footnotes at end of table, p. 982.

TABLE III.—*Planned uses of foreign currency under title I, Public Law 480 agreements signed from beginning of program through Nov. 30, 1957* [1]—Continued

[Amounts in millions]

Country	Total amount programed (market value including ocean transportation)	Market development (104 a)	Purchase of strategic material (104 b)	Military procurement (104 c)	Purchase of goods for other countries [2] (104 d)	Grants for multilateral trade and economic development (104 e)	Loans to private enterprise (104 e)	Payment of United States obligations [3] (104 f)	Loans for multilateral trade and economic development (104 g)	International education exchange (104 h)	Translation and publication (104 i)	Information and education (104 j)
Spain	184.3	3.0	1.0					65.2	113.0	1.1	.5	.5
Thailand	4.6	.7						.8	2.1	.6	.1	.3
Turkey	111.6	.6						51.2	55.5	1.4	.1	2.8
United Kingdom	35.6	.3		([4])				[6] 35.3				
Yugoslavia	222.9	1.0		88.9				50.0	82.7		.3	
Total agreements	[5] 2,264.8	38.4	7.2	249.5	42.5	61.5	32.2	562.7	1,235.6	20.7	3.0	11.5
Uses as percent of total	100.0	1.7	.3	11.0	1.9	2.7	1.4	24.9	54.6	.9	.1	.5

[1] Amounts shown on this table are subject to adjustment when actual purchases and allocations have been made.

[2] Amounts shown in this column indicate a specified amount in the agreement for this use. Footnote 2 only shows an unspecified amount for possible procurement for third countries. A footnote and an amount indicate more than 1 agreement including both specified and unspecified amounts.

[3] In order to provide flexibility in the use of funds, many agreements provide that a specified amount of local currency proceeds may be used under secs. 104 (a), (b), (f), (h) and (i). In some instances, possible uses under sec. 104 (d) are also included in this category. Therefore, estimates based on the best information now available are indicated above under subsecs. (a), (b), (h) and (i). Balances not otherwise distributed are included under subsec. (f). This distribution is subject to revision when allocations have been completed.

[4] Less than $100,000.

[5] Total market value differs from total in table I by the $6 million estimated for ocean freight differential in the Indian agreement for which no rupee deposits will be required.

[6] The Japanese agreement for the July-June year 1955-56 provides for the use of $8.1 million and the United Kingdom agreements provide for approximately $35.1 million under subsec. 104 (c). However, since in return for this currency use, these countries will construct and make available to the U. S. Armed Forces an equivalent value of dependent housing, the amounts are shown under 104 (f).

II. GRANTS OF COMMODITIES TO FRIENDLY PEOPLES FOR FAMINE RELIEF AND OTHER ASSISTANCE UNDER TITLE II OF PUBLIC LAW 480

1. Legislative authority

The Department cooperates with the International Cooperation Administration in the review and clearance of all proposals for use of commodities pursuant to title II of Public Law 480. Under this title, the President is authorized to furnish, out of CCC stocks and on a grant basis, surplus agricultural commodities to friendly governments or peoples to assist in meeting famine or other urgent or extraordinary relief requirements, or to assist programs undertaken with friendly governments or through voluntary relief agencies. Programs of assistance may be authorized over a 4-year period ending June 30, 1958. Reasonable precautions must be taken to assure that these transfers will not displace or interfere with sales that might otherwise be made.

2. Shipments authorized

Through November 30, 1957, shipments authorized approximated $375 million, including $236 million in grain, $32 million in fats and oils, $14 million in raw cotton, $55 million in milk and milk products, and $4 million in dry beans. Ocean transportation costs of $34 million for titles II and III are included.

Programs undertaken recently are typical of those which have been carried out during the last 3 years. For example, 50,000 tons of wheat will be shipped to Morocco for distribution to destitute people in the southern part of the country. Abnormally low rainfall, averaging less than one-third of normal in many parts of the country, resulted in serious losses to cereal crops. It is estimated that a total of 70,000 tons of cereals will be needed. Of this amount, France has offered to supply 20,000 tons on a grant basis, which will supplement the United States contribution.

Continued drought in southern Peru has reduced crop expectations to less than 20 percent of normal and decreased livestock population by more than 50 percent. Shipment of about 20,000 tons of wheat and 70,000 tons of corn and other feed grains, valued in all at $11 million, has been authorized for distribution to needy people and for sale to assist in financing work projects in the drought-stricken areas.

A total of $8 million of foodstuffs (including ocean freight costs) have been supplied for relief feeding of Hungarian refugees. ICA had previoulsy authorized a contribution of up to $15 million of surplus commodities, including freight, but it was found that the small amount was adequate for this purpose. In addition to furnishing foods for consumption by the refugees, $16.2 million of food grains will be shipped to Austria for sale in that country. The local-currency proceeds of these sales will be used for Hungarian relief purposes and will reduce the financial burden imposed upon Austria by the influx of refugees.

Transfer authorizations issued under title II from July 1, 1954, to November 30, 1957, are shown on the following table IV.

TABLE IV.—*Transfer authorizations issued under title II, Public Law 480, July 1, 1954 to Nov. 30, 1957*

[In thousands of dollars]

Area and country	Total	Bread grains	Coarse grains	Fats and oils	Dry beans	Milk and milk products	Rice	Raw cotton
Europe, total	141,270	61,979	20,500	14,976	1,728	34,678	936	6,473
Austria [1]	12,028		12,028					
Czechoslovakia	1,995		1,995					
Germany, Federal Republic	3,044	236	686	911		367	171	673
Germany, Soviet-occupied	758	236	380	81			61	
Hungary	14,135	4,468	1,920	2,147	442	4,538	620	
Italy	60,213	11,659	3,491	10,405	1,286	29,672		3,700
Spain	2,100							2,100
Yugoslavia	46,997	45,380		1,432		101	84	
Africa, total	25,267	24,063				1,204		
Libya	9,943	9,943						
Morocco	7,000	7,000						
Tunisia	8,324	7,120				1,204		
Near East and south Asia, total	72,085	35,365	61	9,691		5,289	17,205	4,474
Afghanistan	11,400	11,400						
India	4,665	1,017				1,165	2,483	
Iran	3,000	3,000						
Nepal	210	145	61			4		
Pakistan	40,630	15,073		6,149		253	14,681	4,474
Turkey	12,180	4,730		3,542		3,867	41	
Far East and Pacific, total	43,373	29,926				8,300	5,069	78
Cambodia	2,343						2,343	
Japan	37,500	29,200				8,300		
Korea	78							78
Laos	839						839	
Ryukyu Islands	1,887						1,887	
Vietnam	726	726						
Latin America, total	43,203	16,459	14,609	1,491	1,393	1,480	5,243	2,528
Bolivia	17,690	10,132		1,137		391	3,502	2,528
British Honduras	273	22	25	106	46	44	30	
Costa Rica	212		37	68	51		56	
Guatemala	3,238		3,238					
Haiti	3,363	205	134	180	1,226	45	1,573	
Honduras	211		59		70		82	
Mexico	216		216					
Peru	18,000	6,100	10,900			1,000		
Christmas holiday	16,672	2,306		5,970	1,005	4,206	3,185	
Total commodity programs	341,870	170,098	35,170	32,128	4,126	55,157	31,638	13,553
Ocean freight: [2]								
Title II shipments	8,148							
Title III foreign donations	25,577							
Grand total	375,595	170,098	35,170	32,128	4,126	55,157	31,638	13,553

[1] Not including feed grains to be documented later.
[2] Including transportation costs financed under Public Law 480 only. Ocean freight paid by the United States prior to fiscal year 1957 was financed under the Mutual Security Act.

S. Amendments to title II

Public Law 128, approved August 13, 1957, increased the title II authority for famine relief and other assistance from $500 million to $800 million. The authority to undertake programs of assistance was extended 1 year, from June 30, 1957, to June 30, 1958.

III. SALE OF COMMODITIES FOR FOREIGN CURRENCIES UNDER SECTION 402 OF THE MUTUAL SECURITY ACT

Section 402 of the Mutual Security Act authorizes funds to be appropriated to finance the export and sale for foreign currencies of surplus agricultural commodities or products thereof produced in the United States. In close cooperation with the International Cooperation Administration, transactions are initiated or promoted by the Department in the sale of surplus agricultural commodities under section 402. A minimum of $250 million was required to be utilized during the fiscal year 1957. ICA approved procurement authorizations totaling approximately $281 million worth of agricultural commodities in 1957 compared to almost $354 million in 1956, as indicated in the following table.

Export market value authorized

[In millions of dollars]

Commodity	1956	1957
Bread grains	151	105
Coarse grains	20	29
Cotton	106	85
Fats and oils	16	21
Dairy products	10	22
Other	27	[1] 19
Ocean transportation	24	
Total	354	281

[1] Includes ocean transportation.

A minimum of $175 million is required to be utilized for this purpose during fiscal year 1958.

IV. USE OF FOREIGN CURRENCIES BY THE FOREIGN AGRICULTURAL SERVICE FOR FOREIGN MARKET DEVELOPMENT WORK UNDER SECTION 104 (A) OF TITLE I OF PUBLIC LAW 480

1. Legislative authority

Title I of Public Law 480 authorizes the President to enter into agreements with friendly nations providing for the sale of surplus commodities for foreign currencies. The President is authorized to use, in agreement with the country concerned, foreign currencies accruing from sales for various purposes.

Section 104 (a) of the act provides that foreign currencies accruing from the sale of surplus agricultural commodities may be used "to help develop new markets for United States agricultural commodities on a mutual benefiting basis." Responsibility for market development projects under this section of the act rests with the Foreign Agricultural Service.

2. Objective

The objective of market-development projects conducted with foreign currencies is to maintain and expand present export markets or to develop new foreign markets for United States agricultural commodities. To the extent practicable, the Foreign Agricultural Service enters into agreements with trade groups, both United States and foreign, for the operation of these projects. However, this will be done only if the trade group will make a financial contribution. If a trade group is unable or unwilling to undertake a needed project, it may be carried out directly by the Foreign Agricultural Service.

Approval of market-development projects depends upon availability of funds, benefit to United States agricultural exports, whether trade groups concerned represent broadly United States commodity interests, and harmony with United States foreign policies.

3. Types of projects

A wide variety of market-development projects is underway or planned, with emphasis on the following:

(*a*) *Market surveys.*—This type of project is designed to determine potential demand for specific agricultural commodities and how this demand may be developed and supplied.

(*b*) *Nutrition education.*—These activities improve the health and welfare of people abroad and, at the same time, expand the market for agricultural commodities that can be supplied by the United States.

(*c*) *Two-way visits.*—Visits by foreigners to the United States and visits of United States citizens to foreign countries improve trade relations. The exchange of ideas and information in this manner is expected to result in greater consumption of United States agricultural commodities.

(*d*) *Promotion and advertising.*—United States advertising and sales techniques are being used abroad with appropriate variations to meet local conditions.

(*e*) *Demonstrations.*—This market development technique is used to demonstrate types, varieties, grades, and classes of United States agricultural commodities available for export.

(*f*) *Trade fairs and exhibits.*—Market development projects are also conducted through participation in international trade and food fairs. The United States participates in two kinds of fairs: One is the diversified fair of a largely industrial type; the other is the food fair, which is devoted exclusively to food items. Exhibits are planned where the greatest number of potential buyers of agricultural products are expected to congregate.

Foreign currencies available

Through November 30, 1957, foreign currencies equivalent to approximately $28.4 million at agreement rates were provided for market development activities in title I sales agreements signed with 35 countries.

The following table shows by country the dollar equivalent of the amounts of foreign currencies estimated to be available from title I sales agreements for market development, the 1956 and 1957 obligations, estimated obligations for 1958, and the estimated amounts available for future years:

Country	Estimated amount available for market development	Loss or gain from changes in exchange rates	Actual obligations, 1956	Actual obligations, 1957	Estimated obligations, 1958	Estimated amount available for future years
Argentina	$600,000	−$273		$2,694	$270,000	$327,033
Austria	1,000,000	396	$18,460	313,333	470,000	198,603
Belgium	[1] 47,619	−345		47,274		
Bolivia	300,000					300,000
Brazil	2,700,000	−213,255		49,342	780,915	1,656,488
Burma	500,000	84		11,812	200,000	288,272
Chile	800,000	−4,765		23,332	325,000	446,903
China (Taiwan)	700,000					700,000
Colombia	800,000	−165,145	83,089	199,259	92,488	260,019
Ecuador	400,000	−177		9,714	253,024	137,085
Egypt	500,000				26,000	474,000
Finland	500,000	−87,692		7,420	50,000	354,888
France	1,100,000		48,072	481,787	490,000	80,141
Germany	1,052,381			599,894	411,178	41,309
Greece	1,900,000	667	39,997	140,973	665,000	1,054,697
Iceland	100,000					100,000
India	4,000,000				615,000	3,385,000
Indonesia	1,000,000			17,660	275,000	707,340
Iran	200,000				200,000	
Israel	700,000			2,500		697,500
Italy	2,550,000		233,270	754,160	765,000	797,570
Japan	3,300,000		789,630	1,374,270	685,000	451,100
Korea	500,000			28,465	50,000	421,535
Mexico	2,500,000					2,500,000
Netherlands	300,000	−1,202		35,489	100,078	163,231
Pakistan	2,400,000	2,292		60,758	275,000	2,066,534
Paraguay	200,000				20,000	180,000
Peru	900,000	10		78,698	510,000	311,312
Philippines	800,000					800,000
Poland	(2)					
Portugal	300,000				50,000	250,000
Spain	3,000,000	−33,974	185,914	428,303	433,457	1,918,352
Switzerland	[3] 150,000	−329		149,671		
Thailand	700,000	12,309	8,204	196,565	161,500	346,040
Turkey	600,000	−11,644		48,793	325,000	214,563
United Kingdom	300,000					300,000
Yugoslavia	1,000,000	−120,000	19,260	238,151	480,000	142,589
Total	38,400,000	−623,043	1,425,896	5,300,317	8,978,640	22,072,104

[1] From conversion of German deutschemarks.

[2] In order to provide flexibility in the use of funds, many agreements provide that a specified amount of local currency proceeds may be used under secs. 104 (a), (b), (f), (h), and (i). This distribution is subject to revision when allocations have been completed.

[3] From conversion of Italian lire.

Obligations by commodity groups are as follows:

Commodity	Fiscal year 1956	Fiscal year 1957
Cotton	$83,642	$1,971,648
Dairy and poultry	4,728	495,053
Fats and oils	77,615	404,330
Fruits and vegetables		50,000
Grain and feed	404,204	588,418
Livestock and meat products		126,337
Tobacco	180,437	326,188
Trade fairs	673,994	1,115,157
Other projects and surveys		90,398
General operating expenses	1,276	132,788
Total	1,425,896	5,300,317

5. Market development projects in 1957

During the 1957 fiscal year 111 new market-development projects with trade groups as cooperators were started, bringing the total for such projects to 130 in 26 different countries since this program began 2 years ago.

Following is a list of the trade groups who participated in the program as cooperators in the fiscal year 1956:

The Cotton Council International
The Dairy Society International
The American Soybean Association
The Oregon Wheat Growers' League
The Miller's National Federation
The National Renderers' Association
The Institute of American Poultry Industries
Tobacco Associates, Inc.

The following trade groups were added as cooperators in this program in 1957:

Holstein-Friesian Association of America
Peruvian National College of Agriculture
Servicio Cooperative Interamericano de Agriculture
Soybean Council of America
California Prune Advisory Board
California Raisin Advisory Board
Florida Citrus Commission
Maine Potato Council
Sunkist Growers, Inc.
U. S. Rice Export Development Association, Inc.
Farmers' Hybrid Popcorn Growers' Association
Division of Wheat Development
Nebraska Department of Agriculture
Nebraska Wheat Growers' Association
Michigan State University
Western Bean Dealers, Inc.
American Meat Institute
Servicio Cooperative Interamericano de Produccion de Alimentos
Leaf Tobacco Exporters' Association, Inc.
Burley and Dark Leaf Export Association, Inc.
North Carolina State College
University of Tennessee
University of Kentucky

Following are examples of some of the projects which were started in the fiscal year 1957:

(*a*) *Cotton.*—In 1957, market development in cotton got underway in Austria, Belgium, Brazil, Chile, Colombia, France, Greece, Italy, Japan, Netherlands, Pakistan, Peru, Spain, Switzerland, Turkey, and West Germany. In addition to contributing materially to the present very favorable total export picture for cotton, market development projects have produced specific country improvements. Promotion programs are now operating in Austria, Belgium, France, West Germany, Italy, Spain, and Switzerland under the regional direction of the Cotton Council International's office in Paris. Reports of representatives from these groups meeting in Washington, D. C., on May 27, 1957, indicated that Europe is once again becoming cotton conscious and that considerable headway has been made in meeting competition from synthetic-textile products. In Japan, as in Europe, reports indicate a new cotton consciousness. The Japanese Ministry of International Trade is now favorable to the domestic cotton-promotion program in contrast to its earlier opposition. There is evidence that the per capita consumption of cotton in Japan is increasing and that market-development work has definitely contributed to this gain.

(*b*) *Dairy and poultry.*—

(1) Recombined milk operations: Representatives of the United States dairy industry have shown great interest in the possibility of joint business ventures between United States and foreign industries. A privately financed recombined milk plant has been opened in Bangkok, Thailand. A market-development project under the direction of a nutritionist and including sampling, has been in operation in Bangkok for the past 7 months. It utilizes local currency funds. This program is now showing results and the plant output of milk and ice cream for June was 30 percent above the output for May. The first commercial recombined milk plant is being established in Spain and a plant will soon be established in Chile. Recombined milk is supplementing local supplies in some of the Latin American countries.

The quantity of recombined ingredients exported is not available; however, a typical manufacturer reports shipments totaling over 735,000 pounds of low-heat nonfat dry milk and 230,000 pounds of anhydrous butterfat, largely to Latin American countries. This manufacturer was not exporting these products a year ago.

(2) Dairy cattle: Dairy cattle market development projects in cooperation with the breed associations are underway. They are promoting the improvement of dairy breeds in foreign countries by using pure-bred cattle exported from the United States as seed stock. A dairy cattle promotional bulletin has been prepared. It describes each of the five purebred United States dairy breeds and provides a buyers' guide to assist prospective purchasers of United States cattle in locating desirable animals. It is being published in Spanish and Portuguese. Arrangements have been made to establish a local language film library on dairy cattle breeding and management in the office of each Latin American agricultural attaché. These films will be developed from material volunteered by the breed associations and State college extension services.

These projects have not been in operation sufficiently long to fully measure their effect. However, dollar sales are improving and resulted in the sale of 300 dairy cattle to Peru. This is the first such sale in recent years.

(3) Poultry: Under Public Law 480, Germany began buying broilers, hens, and turkeys. Trade sources are now eager to establish permanent arrangements to continue importing. A market development program to increase poultry consumption in Germany has been in operation for 6 months in cooperation with the United States poultry industry. The German poultry trade is actively participating in this program, contributing money and manpower. If the per capita consumption of about 5 pounds of poultry could be doubled, it would create a yearly market for millions of pounds. Market development efforts during 1955 and 1956 are now paying off in increased exports. Nearly 3 million pounds of United States poultry were shipped to Switzerland in 1956, compared to negligible quantities previously, and 1957 exports are on a still higher level. Shipments of poultry should go to the Netherlands in the next few months. It is a potential major market for United States poultry. The groundwork has been completed to develop a poultry market in Italy.

(*c*) *Fats and oils.*—

(1) Edible oils: Recent first-hand investigation of the markets for edible oils in Chile, Peru, Ecuador and Colombia revealed that Public Law 480 imports had met a previously unsatisfied consumption requirement and that permanently higher levels of consumption have been established. It is expected that even larger imports will be needed since there is no indication that domestic production of oil is increasing to meet the need.

(2) Soybeans: Development of a stronger market for United States soybeans in Japan was greatly facilitated by the visit to the United States of a team of Japanese trade experts in the soybean food and processing industries. By observing first-hand American soybean production, marketing, transportation, processing, and exporting operations, they obtained a better understanding and a personal interest in the United States soybean industry.

Of special importance in promoting a demand for United States soybeans in Japan was the information received of United States methods and standards of grading soybeans as well as the development of personal acquintance with the United States representatives of growers, handlers, brokers, exporters, and processors of soybeans. As evidence of the effect of the visit is the increased favorable attitude of the Japanese soybean trade in the development of larger markets for United States soybeans in Japan.

(*d*) *Grain and grain products.*—Grain and grain product projects were started in Brazil, Burma, Colombia, Greece, Italy, Indonesia, Japan, Korea, Pakistan and Thailand. Market development activities have assisted in reaching the present very favorable export situation. In Italy, efforts to encourage the replacement of durum wheat for making pasta with United States hard red-winter wheat have been successful to the extent that Italian millers are convinced and the Italian Government now looks favorably upon such imports. In Japan, wheat promotion activities through a multiple approach have greatly assisted in the retention of this important wheat market, resulted in local market stimulation, and brought official Japanese Government recognition of the need to increase wheat consumption as the cornerstone of improved nutrition.

(*e*) *Livestock and meat products.*—Market development projects for livestock and livestock products began in Japan, Korea, Peru, and West Germany. Such projects have been particularly helpful in stimulating exports of breeding stock and tallow. As a partial result of such efforts in Peru, the National Agricultural Bank of Peru has made available $2 million to local breeders for the importation of livestock. In Japan, a 104 (a) project for tallow helped clarify differences in United States and Japanese procedures for sampling, shipping, and handling of tallow. This clarification not only helped maintain but helped stimulate this important United States market for tallow, as evidenced by the increased Japanese imports of United States tallow in 1957.

(*f*) *Tobacco.*—Market development projects for tobacco were instituted in Austria, Finland, France, Italy, Burma, Japan, Korea and Thailand. The outstanding example of success of tobacco projects is in the case of Japan. Primarily as a result of market development project, the consumption of United States leaf during 1956 was about 6.9 million pounds compared with 5.3 millon pounds in 1955. Indications are that this increase has continued into 1957. In addition, United States officials in Japan believe that market development work is responsible for a recently announced decision of the Japanese tobacco monopoly to introduce a new American-type filter cigarette in June 1957, using United States leaf.

6. Projects planned for 1958

Market development work on most of the projects listed under 1957 will be continued into 1958. In addition, a number of new projects are planned along the lines indicated below:

(*a*) *Cotton.*—New market development projects are planned in Canada and the United Kingdom. Both projects, as contemplated, will promote cotton sales through advertising campaigns and the use of other market development techniques. Consideration is also being given to the possibility of new cotton projects in other countries.

(*b*) *Dairy and poultry.*—New projects are scheduled in Argentina, Austria, Brazil, Burma, Chile, Colombia, Ecuador, Egypt, Germany, Greece, France, India, Indonesia, Iran, Israel, Italy, Japan, the Netherlands, Pakistan, Peru, Spain, Switzerland, Taiwan, Thailand, Turkey, and Yugoslavia. Most of these projects involve, either in part or in total, market surveys as a starting point for future promotion campaigns where justified. In addition, poultry demonstrations, promotion, and advertising in certain countries are planned. Dairy cattle literature distribution, movies, exhibits, and other promotions are also planned.

(*c*) *Fats and oils.*—New projects are scheduled in Germany, Japan, the United Kingdom, and the Scandinavian countries. Products to be promoted include cottonseed, soybeans, flaxseed, and linseed oil. Planned also is utilization research, with particular emphasis on soybean processing in Japan. Consideration is being given to surveys and utilization research in other countries.

(*d*) *Fruits and vegetables.*—Promotion and demonstration are projected for Argentina, Brazil, and West Germany. In addition, market surveys are under consideration for a number of other countries as the basis for future market development projects.

(*e*) *Grain and feeds.*—New projects are designed for Argentina, Chile, Cuba, Egypt, Germany, Greece, India, Iran, Israel, Italy, Japan, Portugal, Switzerland, Taiwan, Thailand, and Venezuela. Such projects range from surveys to better nutrition, built around grain products. Commodities involved include food and feed grains, grain products, and grass and field seed. Surveys of market potential in other countries are also under consideration.

(*f*) *Livestock and meat products.*—In 1958, new projects are projected in Argentina, Austria, Belgium, Brazil, Cuba, Egypt, Finland, France, Germany,

Italy, Japan, Paraguay, Spain, Switzerland, Turkey, and Venezuela. Projects include United States breeding stock, meats and variety meats, inedible tallow, hides and skins, and lard. Activities planned include the preparation and distribution of pamphlets and other publications, promotion, exhibits, demonstrations, exchanges of trade personnel and surveys.

(*g*) *Tobacco.*—The initiation of new projects is planned in Austria, Finland, France, Germany, Indonesia, and Thailand. Work planned includes surveys, exchanges of trade officials, and promotion including advertising.

7. Contributions to market development projects

Table V shows the amounts contributed to market development projects by the Foreign Agricultural Service, the United States cooperators and foreign cooperators.

8. Market-promotion exhibits at international trade fairs

FAS sponsored 10 major agricultural market-promotion exhibits overseas, all of them designed to acquaint potential customers abroad with the availability, quality, and uses of United States agricultural commodities. The exhibits were held largely in connection with important international trade fairs where the exhibits met with great concentrations of buyers and sellers from many parts of the world. A major attraction in each of the exhibits was the distribution of samples of United States food products derived chiefly from surplus stocks of commodities held by the Commodity Credit Corporation.

All of the exhibits were held in cooperation with various segments of the United States food trade, with the trade providing exhibit material and technical personnel as contributions to this cooperative effort. The Government organizes and manages the exhibits; rents the space; provides for the design, construction and operation of the exhibits; ships necessary exhibit material; and provides travel and per diem for industrial technicians and commodity specialists participating in the joint effort.

Many of the trade fairs will be operated under the agreement between the Department of Agriculture and the Department of Commerce through which both Departments exhibit their respective products. The joint payment of the total costs of the fairs by Commerce in dollars and Agriculture in foreign currencies makes it possible to participate in more fairs throughout the world.

TABLE V.—*List of authorized foreign currency market development project agreements by trade organization, showing country, date, and contributions from the beginning of the 104 (a) market development program to June 30, 1957* [1]

[Stated in approximate dollar equivalents]

Trade organizations	Program agreement date	Country	Date	Project agreements (contributions in United States dollar equivalent)		
				Foreign Agricultural Service	United States cooperator	Foreign cooperator or others
Cotton:						
National Cotton Council	May 23, 1955	Regional	May 23, 1955	121,688		
		Colombia	July 15, 1956	342	1,520	(2)
		France	Jan. 27, 1956	35,001		35,000
		Japan	do	69,795	136,200	69,795
		Germany	June 1, 1956	21,230		21,230
		Regional	do	8,497	5,000	(2)
Cotton Council, International	Jan. 1, 1957	Supervisory	Jan. 1, 1957	427,612	125,000	
		France	Dec. 28, 1956	275,000		275,000
		Japan	do	187,500		187,500
		Spain	do	127,011		135,872
		Italy	Jan. 18, 1957	250,000		250,000
		Switzerland	Feb. 8, 1957	119,655		119,918
		Austria	Feb. 13, 1957	99,691		99,653
		Germany	Feb. 14, 1957	265,914		265,914
		Belgium	Mar. 15, 1957	46,353		46,590
Dairy and poultry:						
Dairy Society, International	Feb. 8, 1956	Colombia	Mar. 27, 1956	4,085	8,875	(2)
		Thailand	June 26, 1956	145,337	5,260	(2)
		Colombia	Aug. 24, 1956	71,840	16,800	
		Chile	Jan. 10, 1957	8,176	8,875	(2)
Institute of American Poultry Industries	May 2, 1956	Regional	Aug. 31, 1956	131,965	7,250	(2)
Holstein Friesian Association		Germany	June 26, 1957	125,000	6,250	
		Chile	Oct. 11, 1956	858	500	
		Ecuador	Apr. 23, 1957	1,142	500	
		Peru	do	1,052	500	
		do	June 12, 1957	999	2,500	
		Colombia	June 27, 1957	755	2,500	
Servicio Cooperativo Interamericano de Agricultura of Ecuador		Ecuador	May 28, 1957	8,572	7,000	
Fats and oils:						
American Soybean Association	Feb. 7, 1956	Japan	Apr. 3, 1956	75,000	3,750	7,500
		Regional	June 1, 1956	2,465	2,525	1,073
		Japan	Apr. 3, 1957	300,000	15,000	15,000
Soybean Council of America, Inc	Aug. 20, 1956	Spain	Feb. 18, 1957	48,530	3,500	33,023
		Italy	Mar. 21, 1957	55,950	3,500	38,901

See footnotes at end of table, p. 993.

TABLE V.—*List of authorized foreign currency market development project agreements by trade organization, showing country, date, and contributions from the beginning of the 104 (a) market development program to June 30, 1957* [1]—Continued

[Stated in approximate dollar equivalents]

Trade organizations	Program agreement date	Country	Date	Project agreements (contributions in United States dollar equivalent)		
				Foreign Agricultural Service	United States cooperator	Foreign cooperator or others
Fruits and vegetables:						
California Raisin Advisory Board	Mar. 28, 1957	Germany	May 15, 1957	25,000	1,250	
California Prune Advisory Board	Feb. 20, 1957	do	June 11, 1957	25,000	40,000	
Grain and feed:						
Oregon Wheat Growers' League	Mar. 18, 1957	Korea	Oct. 11, 1956	8,500	1,000	
		Thailand	do	7,018	1,000	
Millers' National Federation (joint)	Feb. 21, 1956	Regional	June 24, 1957	65,772	5,500	
Oregon Wheat Growers' League	Sept. 21, 1955	Japan	Apr. 26, 1956	391,800	28,000	77,025
	Mar. 18, 1957	do	Mar. 18, 1957	118,604	7,000	22,273
		do	do	19,509	3,400	
		do	do	203,995	10,500	26,753
		do	do	37,163		
		Korea	Apr. 30, 1957	7,600		
Millers' National Federation	Feb. 21, 1956	Colombia	Mar. 21, 1956	10,716	1,500	
		do	July 11, 1956	49,701	6,000	
Nebraska Wheat Commission	Aug. 3, 1956	Italy	Sept. 29, 1956	10,130	6,900	
		Greece	Mar. 25, 1957	13,355	7,800	
Michigan State University		Colombia	May 20, 1957	43,161	1,911	5,439
Western Bean Dealers, Inc.	Feb. 17, 1957	Regional	Mar. 1, 1957	5,598	5,000	
Livestock and meat products:						
National Renderers' Association	June 15, 1956	Japan	July 5, 1956	7,400	3,000	
		Korea	do	381	3,000	
	Apr. 2, 1957	Regional	Apr. 9, 1957	43,067	5,500	
American Meat Institute	Nov. 27, 1956	Germany	June 28, 1957	50,000	5,000	5,000
Servicio Cooperativo Interamericano de Produccion de Alimentos (SCIPA)		Peru	Oct. 18, 1956	13,495	700	1,211
Peruvian National College of Agriculture		do	Apr. 17, 1957	11,994	13,060	
Tobacco: Tobacco associations	Feb. 7, 1956	Thailand	Jan. 18, 1956	8,254	800	2,000
		Spain	Mar. 19, 1956	13,002	1,000	5,227
		Japan	Apr. 26, 1956	157,700	8,135	17,500
		Italy	Aug. 20, 1956	31,071	5,000	3,000
		Austria	Aug. 22, 1956	6,803	1,000	1,600
		Finland	do	7,158	1,500	3,394
		France	do	8,100	1,500	2,400
		Korea	do	9,000	750	900
		Thailand	Nov. 21, 1956	30,170	1,500	100,000
		Burma	Apr. 2, 1957	5,367	100	550

		France	Apr. 22, 1957	20,000	1,000	2,000
		Japan	June 17, 1957	210,000	10,500	21,000
Miscellaneous:						
Austrian fruit catalog		Austria	Sept. 19, 1956	23,430		
The Economist Intelligence Unit, Ltd. (London Economist)		Regional	Sept. 28, 1956	25,442		
Publication, Italian Wheat Visitors		Italy	Sept. —, 1956	5,600		
German food inspection		Germany	Oct. 8, 1956	6,300		
Cattlemen visit to United States		Peru	Jan. 24, 1957	5,997		
Tobacco market research studies		Pakistan	Mar. 14, 1957	10,105		
Sheep improvement and replacement		Peru	Apr. 11, 1957	1,021		
Economic analysis		Brazil	May 14, 1957	12,503		
Total				4,802,998	552,611	1,899,241

[1] Excludes general operating expenses and trade fair amounts.
[2] Not specified.

The following are fairs in which the Department participated during the fiscal year 1957:

(*a*) *British Food Fair, London, England: August 28–September 15, 1956.*—The United States exhibit featured meat and lard, poultry, dairy, grain, and fruit products. Samples distributed included American frankfurters, doughnuts, orange juice, cheese, and dry milk. The United States exhibit, occupying 10,000 square feet, was the largest in the fair. Total fair attendance exceeded 500,000, most of whom visited the United States section.

(*b*) *International Trade Fair, Salonika, Greece: September 2–23, 1956.*—The agricultural portion of the United States exhibit consisted of a display and demonstration of doughnut making and a milk recombining unit consisting of a homogenizer, pasteurizer, and cooling units. Samples of recombined milk, ice cream, and American-type cheddar cheese were distributed.

(*c*) *International Trade Fair, Zagreb, Yugoslavia: September 7–20, 1956.*—The United States exhibit included American dairy equipment of late design operated by attendants who distributed samples of recombined milk, ice cream, and cheese. The fair drew an attendance of 500,000 people, of whom more than 90 percent visited the American pavilion. At the close of the fair, the United States dairy equipment was purchased by the Zagreb dairy and duplicate orders were placed with American firms for the dairy at Belgrade.

(*d*) *International Autumn Fair, Vienna, Austria: September 9–16, 1956.*—The agricultural section of the United States exhibit included a cotton fabric and fashion show, the demonstration of cake mixes and sampling of orange juice. There were 367,337 visitors to the United States exhibit out of a total fair attendance estimated at 600,000.

(*e*) *III. International Fair and Exposition, Bogotá, Colombia: November 25–December 9, 1956.*—Grain products were exhibited with small loaves of bread and other baked products from American flour being distributed as samples.

(*f*) *International Trade Fair, Bangkok, Thailand: December 7–22, 1956.*—Commodities displayed consisted of recombined milk and ice cream.

(*g*) *International Food Fair, Verona, Italy: March 10–19, 1957.*—A United States exhibit of livestock feed supplies was the forerunner of a series of market promotion displays to feature the use of United States feed concentrates and to demonstrate to poultry raisers of Western Europe how to obtain "more meat and more eggs in less time at less cost" through use of such feeds. The exhibit featured concentrates, with soybean meal as the primary ingredient, and five United States feed grains—corn, barley, oats, wheat and milo. Also displayed were well-fed live poultry and poultry products at all stages of production, processing, and marketing from the incubator to the table.

(*h*) *International Food Fair, Palermo, Italy: May 25–June 10, 1957.*—The current exhibit program stresses use of exhibits of a demountable nature, which can be readily adapted for reuse at other locations. Accordingly, the exhibit used at Verona was repeated at Palermo and was well received at both fairs.

(*i*) *International Trade Fair, Tokyo, Japan: May 5–19, 1957.*—This was the first overseas market promotion exhibit in the trade fair program in which foreign trade groups assumed major responsibilities in promotional exhibits of American farm commodities. Japanese trade associations cooperating with American trade groups and the United States Government designed, constructed, and operated the various commodity exhibits. Commodities featured were cotton, wheat, tobacco, soybeans, dairy products, tallow, popcorn, and dried fruit. Samples of dry milk solids and popcorn (a new product to the Japanese) and cigarettes were distributed.

(*j*) *International Fair, Barcelona, Spain: June 1–20, 1957.*—The Department presented a 15,000-square-foot exhibit showing the availability and quality of United States cotton, grain, seeds, tobacco, dairy products, poultry and poultry products, and vegetable oils. Samples of recombined milk and ice cream were distributed. The exhibit received two first prize awards as the outstanding international exhibit at this fair and will be adapted for use at Cologne's ANUGA food fair this fall.

9. *Fairs planned for fiscal year 1958.*—Tentative plans are being made for fairs to be held as follows:

Country	Type of fair	Dates
Izmir, Turkey	Recombined milk	Aug. 20–Sept. 20, 1957.
Salonika, Greece	Poultry feeding	Sept. 1–22, 1957.
Zagreb, Yugoslavia	Supermarket	Sept. 7–22, 1957.
Vienna, Austria [1]		Sept. 8–15, 1957.
Cologne, Germany	Wheat, soybean products, poultry, fruit, lard, meat products, tobacco, and all varieties of frozen foods.	Sept. 9–Oct. 6, 1957.
Osaka, Japan	Soybeans, tallow, wheat, wheat products, cotton.	Apr. 12–22, 1958.
Bombay, India	Soybean products, dairy products, wheat	Apr. 15–May 15, 1958.
Sao Paulo, Brazil	Vegetable oils, feed grains, wheat, cotton, fresh deciduous fruit, dried fruits, dry beans, recombined milk.	May 5–June 3, 1958.
Poznan, Poland	Cotton	June 8–22, 1958.
Berlin, Germany	Supermarket	June 1958.

[1] The agreement with Commerce provides that the 2 departments will jointly defray expenses of several fairs. Agriculture did not exhibit at this fair, in accordance with agreement.

10. *Contributions to trade fairs.*—Table VI shows the amounts contributed by the Foreign Agricultural Service and cooperators for exhibits at trade fairs.

TABLE VI.—*List of trade fairs in which the U. S. Department of Agriculture participated using foreign currencies showing dates, cooperators, and contributions from the beginning of the program through June 30, 1957*

[In dollars equivalent]

Trade fair	Date	Cooperator	Contributions (United States dollars equivalent)	
			FAS	Cooperator
Cologne, Germany [1]	Oct. 1–9, 1955	USIA	8,500	
Bogota, Colombia	Nov. 25–Dec. 11, 1955	Department of Commerce, OITF.	56,719	105,969
Ciudad Trujillo, Dom. Rep.	Dec. 20, 1955–Feb. 27, 1956.	do		225,292
Osaka, Japan	Apr. 7–22, 1956	do [2]	144,201	54,235
Barcelona, Spain	June 1–20, 1956	USIA	157,755	50,000
Rome, Italy	June 18–30, 1956	National Association of Food Chains.	223,700	75,000
London, England	Aug. 28–Sept. 15, 1956	Department of Commerce.[2]		136,064
Salonika, Greece	Sept. 2–25, 1956	do	102,534	188,298
Zagreb, Yugoslavia	Sept. 7–20, 1956	do	53,519	149,006
Vienna, Austria	Sept. 9–16, 1956	do	49,000	169,384
Bari, Italy	Sept. 9–27, 1956	do	19,000	98,389
Bogotá, Colombia	Nov. 25–Dec. 9, 1956	Millers' National	9,968	2,000
Bangkok, Thailand	Dec. 7–31, 1956	Thailand Tobacco Monopoly.	4,170	500
Harnden Contract [3]	Jan. 4, 1957		379,091	
Verona, Italy	Mar. 10–19, 1957		14,415	
Tokyo, Japan	May 5–19, 1957	Department of Commerce.[2]	134,172	190,459
Palermo, Italy	May 5–June 10, 1957	do	30,409	22,560
Barcelona, Spain	June 1–20, 1957	do	46,122	111,872
Izmir, Turkey	Aug. 20–Sept. 20, 1957	do	45,184	128,675
Zagreb, Yugoslavia	Sept. 7–22, 1957	do	201,500	111,042
Salonika, Greece	Sept. 1–22, 1957	do	17,538	27,327
Vienna, Austria	Sept. 8–15, 1957	do	100,154	116,644
Total			1,797,651	1,962,716

[1] Paid in United States dollars.
[2] The overall agreement with Commerce provides that the 2 departments will jointly defray expenses of the several fairs.
[3] Contract to design, construct, and carry out exhibits in 3 fairs: Verona, Barcelona, and Cologne.

USE OF LOCAL CURRENCY

Mr. MARSHALL. What use are you making of local currency under Public Law 480?

Mr. PAARLBERG. We have a table that indicates that in the report of the President which just recently has been made. I can turn to it quickly.

Mr. FRASER. Page 40.

Mr. MARSHALL. Let's insert the table in the record and then you may proceed.

(The material referred to is as follows:)

Planned uses of foreign currency under title I, Public Law 480) agreements signed from beginning of program through Dec. 31, 1957 [1]

[In millions of dollars]

Country	Total amount programed (market value including ocean transportation)	Market development (104a)	Purchase of strategic material (104b)	Military procurement (104c)	Purchase of goods for other countries [2] (104d)	Grants for multilateral trade and economic development (104e)	Loans to private enterprise (104e)	Payment of United States obligations [3] (104f)	Loans to foreign governments (104g)	International educational exchange (104h)	Translation and publication (104i)	Information and education (104j)
Argentina	31.1	0.6						9.8	20.0	0.7		
Austria	43.2	1.0			3.1			12.1	26.3		0.1	0.6
Bolivia	6.8	.3		(4)				.7	5.4	.2		.2
Brazil	179.9	2.7		2.0	(2)			22.3	149.4	2.1	.5	.9
Burma	22.7	.5						4.1	18.1			
Chile	40.2	.8		.1				6.4	31.7	1.2		
China (Taiwan)	9.8	.7		4.9				3.4		.8		
Colombia	29.2	.8		.1	(3)			4.7	22.2	.6	(4)	.8
Ecuador	8.1	.4						.8	6.3	.4		.2
Egypt	19.5	.5						4.6	13.6	.8		
Finland	27.2	.5			[2] 13.0			13.0		.3	.3	.1
France	4.6	1.6			.8		0.6	.6		1.0		
Germany	1.2	1.1				7.5	2.9	.1				
Greece	66.3	1.9						14.4	37.5	.6		1.5
Iceland	2.8	.1						.4	2.2	.1		
India 3-year program	[5] 360.1	4.0			[2] 5.0	54.0		61.2	234.1	1.8		
Indonesia	98.7	1.0	2.0					16.1	79.0	.6		
Iran	12.9	.2		5.9				3.2	2.5	.8		
Israel	87.3	.7			(2)		8.7	19.6	58.3			.3
Italy	128.1	2.7			[2] 10.0			26.3	88.1			
Japan	151.4	3.3		(6)	10.9			[6] 25.8	109.3	2.1		1.0
Korea	82.3	.5		66.1				14.2		.9		
Mexico	28.2	2.5					7.1	2.9	13.6	1.2		.6
Netherlands	.3	.3						(4)				.9
Pakistan	186.1	2.4		79.3			16.4	28.7	54.4	2.1	1.3	1.5
Paraguay	3.0	.2						.4	2.2	.2		
Peru	14.4	.9		.1				2.1	10.4	.5	.1	.3
Philippines	10.3	.8		2.1				1.4	5.2	.8		
Poland	65.4				(3)			65.4				
Portugal	7.2	.3						3.1	3.5	.3		
Spain	184.3	3.0						66.2	113.0	1.1	.5	.5
Thailand	4.6	.7						.8	2.1	.6	.1	.3
Turkey	111.6	.6						51.2	55.5	1.4	.1	2.8

See footnotes at end of table, p. 998.

Planned uses of foreign currency under title I, Public Law 480 agreements signed from beginning of program through Dec. 31, 1957 [1]—Continued

[In millions of dollars]

Country	Total amount programed (market value including ocean transportation)	Market development (104a)	Purchase of strategic material (104b)	Military procurement (104c)	Purchase of goods for other countries [3] (104d)	Grants for multilateral trade and economic development (104e)	Loans to private enterprise (104e)	Payment of United States obligations [3] (104f)	Loans to foreign governments (104g)	International educational exchange (104h)	Translation and publication (104i)	Information and education (104j)
United Kingdom	35.6	.3	----------	([4])	----------	----------	----------	[6] 35.3	----------	----------	----------	----------
Yugoslavia	230.4	1.0	----------	88.9	----------	----------	----------	51.8	88.4	----------	.3	----------
Total agreements	[5] 2,294.8	38.9	2.0	249.5	42.8	61.5	35.7	573.1	1,252.3	23.2	3.3	12.5
Uses as percent of total	100.0	1.7	.1	10.9	1.9	2.7	1.5	25.0	54.6	1.0	.1	.5

[1] Amounts shown on this table are subject to adjustment when actual purchases and allocations have been made. Amounts are in dollar equivalents at the deposit rates of exchange.

[2] Amounts shown in this column indicate a specified amount in the agreement for this use. Footnote 2 only shows an unspecified amount for possible procurement for 3d countries. A footnote and an amount indicate more than 1 agreement including both specified and unspecified amounts.

[3] In order to provide flexibility in the use of funds, many agreements provide that a specified amount of local currency proceeds may be used under secs. 104 (a), (b), (f), (h), and (l). In some instances, possible uses under sec. 104 (d) are also included in this category. Therefore, estimates based on the best information now available are indicated above under subsecs. (a), (b), (h), and (l). Balances not otherwise distributed are included under subsec. (f). This distribution is subject to revision when allocations have been completed.

[4] $50,000 or less.

[5] Total market value differs from total in table II by the $6 million estimated for ocean freight differential in the Indian agreement for which no rupee deposits will be required.

[6] The Japanese agreement for the July–June year 1955-56 provides for the use of $8,100,000 and the United Kingdom agreements provide for approximately $35,100,000 under subsec. 104 (c). However, since in return for this currency use, these countries will construct and make available to the United States Armed Forces an equivalent value of dependent housing, the amounts are shown under 104 (f).

Mr. PAARLBERG. All right; I will make my comments brief.

The majority of the currencies that are entered under this program, about 55 percent of them, are used for loans to foreign governments for economic development.

The next largest outlet, about 25 percent of the total, is for payment of United States obligations abroad.

The next largest, and making about 11 percent of the total, is for military procurement.

The next largest is for grants for multilateral trade and economic development.

Then there are 3 or 4 uses which do not loom large. One of them, an interesting one, is market development, which takes 1.7 percent of the total.

The great bulk of these currencies are used for loans to foreign governments and for payments of United States obligations abroad.

Mr. GARNETT. May I make a comment there, Mr. Chairman?

Mr. MARSHALL. Yes, Mr. Garnett.

Mr. GARNETT. I should say that the 25 percent is available for purchase with dollars.

In other words, the military or State or other agencies of the Government buy those currencies with appropriated dollars, and up to this time there has been a recovery of around $115 million under that program, and it will increase.

GRANTS UNDER TITLE II

Mr. MARSHALL. What grants have you made under title II in this program?

Mr. GARNETT. We do not administer title II. This is administered by the International Cooperation Administration, and I do not have a real good record of those handy, but if you wish them, we could provide them.

Mr. FRASER. It is on page 46 of the President's report.

Mr. MARSHALL. Mr. Garnett, could you get those for us and place them in the record at this point in order for us to have a picture?

Mr. GARNETT. I am told that they are here, page 46 of this semiannual report of the President on Public Law 480.

Mr. MARSHALL. We will place that in the record at this point.

(The information referred to follows:)

Transfer authorizations issued under title II, Public Law 480, July 1, 1954, to Dec. 31, 1957

[In thousands of dollars]

Area and country	Total	Bread grains	Coarse grains	Fats and oils	Dry beans	Milk and milk products	Rice	Raw cotton
Europe (total)	141,855	61,777	22,750	14,825	1,597	33,666	811	6,429
Austria	14,278		14,278					
Czechoslovakia	1,995		1,995					
Germany, Federal Republic	3,000	236	686	911		367	171	629
Germany, Soviet occupied	758	236	380	81			61	
Hungary	13,713	4,468	1,920	2,095	442	4,293	495	
Italy	59,016	11,459	3,491	10,306	1,155	28,905		3,700
Spain	2,100							2,100
Yugoslavia	46,995	45,378		1,432		101	84	
Africa (total)	23,840	22,636				1,204		
Libya	9,335	9,335						
Morocco	7,000	7,000						
Tunisia	7,505	6,301				1,204		
Near East and South Asia (total)	78,586	41,866	61	9,691		5,289	17,205	4,474
Afghanistan	11,153	11,153						
India	4,665	1,017				1,165	2,483	
Iran	2,748	2,748						
Nepal	210	145	61			4		
Pakistan	47,630	22,073		6,149		253	14,681	4,474
Turkey	12,180	4,730		3,542		3,867	41	
Far East and Pacific (total)	42,254	28,807				8,300	5,069	78
Cambodia	2,343						2,343	
Japan	36,381	28,081				8,300		
Korea	78							78
Laos	839						839	
Ryukyu Islands	1,887						1,887	
Vietnam	726	726						
Latin America (total)	40,836	15,690	13,688	1,491	1,393	1,281	4,765	2,528
Bolivia	17,182	10,102		1,137		391	3,024	2,528
British Honduras	273	22	25	106	46	44	30	
Costa Rica	212		37	68	51		56	
Guatemala	3,238		3,238					
Haiti	3,363	205	134	180	1,226	45	1,573	
Honduras	211		59		70		82	
Mexico	216		216					
Peru	16,141	5,361	9,979			801		
Christmas holidays	16,688	2,306		5,973	1,005	4,206	3,198	
Total commodity programs	344,059	173,082	36,499	31,980	3,995	53,946	31,048	13,509
Ocean freight: [1]								
Title I shipments	10,390							
Title III foreign donations	36,211							
Grand total	390,660							

[1] Including transportation costs financed under Public Law 480 only. Ocean freight paid by the United States prior to fiscal year 1957 was financed under the Mutual Security Act.

Mr. PAARLBERG. The total sum allocated under this title to date is about $390 million.

SALE OF COMMODITIES UNDER SECTION 402

Mr. MARSHALL. Would you discuss the sale of commodities under section 402 of the Mutual Security Act? Could you do that?

Mr. PAARLBERG. Mr. Garnett.

Mr. GARNETT. Again, section 402 of the Mutual Security Act is administered by the International Cooperation Administration.

Mr. MARSHALL. Would you furnish for the record comparable information?

Mr. GARNETT. We will furnish for the record information comparable to what is in here.

(The information requested appears on page 991n.)

PERSONNEL

Mr. MARSHALL. We would also like for you to furnish for the record a personnel table showing the numbers that are paid from the regular appropriation, from section 32, and from Public Law 480, and so forth—the number of personnel in your organization.

Mr. GARNETT. We will be happy to furnish that.

Is it available now?

Mr. MINOR. I think so.

Mr. MARSHALL. Why not just put it in the record?

(The information requested follows:)

FOREIGN AGRICULTURAL SERVICE

Estimated employment by funds, fiscal year 1958

	Average annual positions
Salaries and expenses	391
Removal or surplus agricultural commodities (sec. 32)	247
International Cooperation Administration (allocation to FAS)	78
Advances and reimbursements	24
Agricultural Trade Development and Assistance Act (Public Law 480)	26
Total	766

Mr. MINOR. In connection with that, Mr. Chairman, there is something I did not point out a while ago, that the figures on the organization chart before you represent the number of employees in each of these organizational units and include clerical and messengers, as well as the top people. The total number of people are also shown on the charts.

LOANS TO BUY AGRICULTURAL COMMODITIES

Mr. NATCHER. Mr. Secretary, several months ago, this committee received a report from the Department that approximately $60 million worth of surplus cotton had been purchased by Japan.

It just so happened that on that same day another subcommittee upon which I serve received a report to the effect that the Export-Import Bank had just made a loan to Japan of the necessary money to purchase the $60 million worth of surplus cotton.

Within approximately 60 days I received some 500 letters from fine women employed in 2 textile mills located in my district complaining about strip goods shipped into this country from Japan.

I realize, Mr. Secretary, the situation in regard to the sale of our surplus commodities and the importance of disposing of our commodities. I know that from time to time loans are made and the money used to purchase our surplus commodities.

Now, I want to call your attention to page 3 of the fact sheet of agricultural exports showing the big buyers of United States farm products down at the bottom of the page, the 9 countries.

Mr. Chairman, with your permission, I would like a statement inserted in the record at this point pertaining to these 9 countries showing any loans made by the Export-Import Bank, the World Bank, or money obtained through the International Monetary Fund used by these 9 countries in purchasing surplus commodities from this country.

Mr. GARNETT. That has this problem: the United Kingdom, for instance, got a large release of funds recently and so did France from the fund, and you cannot identify how much of that was used for farm products and how much might be used for other products.

Mr. PAARLBERG. We can make available the information to the extent we have it, certainly.

Mr. NATCHER. All right.

Mr. GARNETT. Well, we will not be able to pin it down in the case of funds transactions. In the case of the Export-Import Bank, there we can pin it down to the products involved.

Mr. NATCHER. Mr. Chairman, with your permission, that will be inserted in the record at this point to save the time of the committee.

Mr. MARSHALL. All right.

(The information requested follows:)

Export-Import Bank agricultural commodity loans, fiscal year 1957

Borrower	Country	Commodity	Credit
			Millions
Bank of Japan	Japan	Cotton	$60
Banco Nacional de Credito Agricola, S. A	Mexico	Cattle	10
Creditanstalt-Bankverein, Oesterreichische Laenderbank, A. G., and Oesterreichisches Credit Institut, A. G.	Austria	Cotton	8
Hanimex, Handelsgesellshaft fuer Import und Export, M. B. H.	Germany	Grains and soybeans	4
Nicolini Hermanos, S. A	Peru	Wheat	2.25
Total			84.25

Source: Export-Import Bank of Washington Report to the Congress for the 12 months ending June 30, 1957, p. 19.

No agricultural commodity loans were made during fiscal year 1957 by the International Bank for Reconstruction and Development (World Bank).

Financial assistance by the International Monetary Fund to its members is in the form of drawings of currencies to meet short-term balance of payments difficulties and is never earmarked for specific commodities.

TOBACCO EXPORT DIFFICULTIES

Mr. NATCHER. Mr. Secretary, I want to call your attention to the tobacco statement on page 3 which shows that some 600 million pounds of leaf and tobacco were exported during the fiscal year July 1956 to June 30, 1957, valued at more than $400 million. The statement further shows this was equal to one-fourth of the United States tobacco crop, one-third of the United States tobacco sales, and 35 percent of free world tobacco trade.

What is the situation now, Mr. Secretary, during the present fiscal year concerning the sale of tobacco under the Department of Agriculture?

Mr. PAARLBERG. I can give figures for the record which will make clearer to you the points that I will make in a general way.

Mr. NATCHER. All right.

Mr. PAARLBERG. In a general way I can say that we are experiencing some difficulty in our tobacco exports, which is the result of several circumstances, partly the result of increased tobacco production in areas of the world other than the United States.

We are experiencing difficulty in that there is Commonwealth preference. The United Kingdom, for example, would rather obtain tobacco, other things being equal, from their own Commonwealth than from the United States.

There are some difficulties with respect to the qualities of tobacco that we have for sale through export which do not, in all cases, check closely with the qualities that are desired by our customers, and there are some difficulties with respect to prices which cause some of the customers to look elsewhere.

Our tobacco-export picture, as these figures will show, provides an important outlet for American tobacco, nevertheless, our analysts are somewhat concerned by the growing difficulties in connection with tobacco exports.

Mr. NATCHER. Mr. Secretary, I want to call your attention to page 45 of the brochure entitled "Developing Foreign Markets for United States Farm Products."

There you have a chart at the top of page 45 showing tobacco export sales for dollars continuing high.

Now your chart begins with the years 1935, 1939, and extends through 1950.

Mr. PAARLBERG. That is right.

Mr. NATCHER. According to the information contained in this chart, it seems that the sale of tobacco, and especially under the foreign agricultural sales program is in pretty good shape.

Mr. PAARLBERG. I would like to point out that these figures are in terms of dollars, and we must take account of the fact that the price level is now much higher than it was during some of the earlier years that appear in the chart.

If we had this in terms of pounds of leaf tobacco, a quite different picture, I think, would be revealed.

Mr. NATCHER. As you well know, Mr. Secretary, the flue-cured type of tobacco is very much in surplus.

Mr. PAARLBERG. Yes.

Mr. NATCHER. Burley is in good shape. Dark-fired tobacco is somewhat in surplus, and dark air-cured is probably in better position than dark fire-cured.

Mr. PAARLBERG. I understand that is correct. I am not a tobacco expert by any means.

Mr. NATCHER. I was just wondering what your reports were at the present time concerning the fiscal year concerning tobacco generally, and I want to thank you for your statement.

Mr. PAARLBERG. It is possible that one of the boys here might have some trade statistics currently.

Mr. GARNETT. We have that, but I believe it might be better for the record to give a statement specifically designed to answer your question.

Mr. NATCHER. Very well.

(The information requested follows:)

Total tobacco exports for the first 6 months of fiscal year 1958 were 510 million pounds, the same as 1957. The value, however, was slightly higher.

For comparing the progress of various types, calendar-year figures are more suitable as they are complete. Flue-cured exports were about the same in 1957 as in 1956 primarily because of an unusually suitable 1957 crop. Burley exports dropped 30 percent—from 29.2 million in 1956 to 20.5 million in 1957. Dark-fired Kentucky-Tennessee dropped 9 percent—from 24.2 million in 1956 to 22.0 million in 1957. Virginia fire-cured rose 20 percent to 5.3 million from the 4.4 million of 1956. Green River rose 25 percent and One Sucker rose 11 percent. Maryland rose 12 percent.

Burley exports reflect the extremely high prices which existed in the 1955 and 1956 crops on normally exported grades. Lower prices for these grades in the latter part of 1957 crop selling season promise to improve exports for 1958.

Export losses of most types are generally in the price-conscious markets. Flue-cured, however, shows a long-term downtrend in the United Kingdom market as a result of Commonwealth preference.

Mr. NATCHER. Mr. Secretary, I feel that the Foreign Agricultural Service is doing a fine job, and I want to join my chairman and the other members of the subcommittee in commending you gentlemen.

I sincerely believe we could help the American farmer if we continue in our efforts of discovery of new markets and further in our utilization of agricultural commodities for industrial uses.

I think you have done a good job, and I appreciate the statements made.

Mr. PAARLBERG. We are grateful for that expression, Congressman. We hope we will continue to merit your approval.

Mr. MARSHALL. Mr. Andersen.

Mr. ANDERSEN. Thank you, Mr. Chairman.

Mr. Garnett, I want to join in what Mr. Natcher has said about the general scope of the work of the Foreign Agricultural Service. I, as one of the members of this subcommittee, join with the others wholeheartedly in trying to make something worthwhile out of FAS and we are very much pleased today to see the progress which we are making.

Mr. Horan, Mr. Marshall, Mr. Whitten, Mr. Natcher, and myself have been interested in trying to give you people the implements with which to do a good job.

I said in another meeting today that I think the best part of the job that the Department of Agriculture has done this year is in their work abroad getting rid of our surpluses.

I made that statement to another group. So, I sincerely believe you people are doing a good job.

Mr. GARNETT. Thank you.

TRIP TO SOUTH AMERICA

Mr. ANDERSEN. Now, last November and December, a subcommittee of the full Appropriations Committee composed of Mr. Marshall as chairman, myself on this subcommittee, and Mr. Jensen of Iowa had occasion to make a trip to South America, and during that 1 month

journey we visited about 8 of the nations in South America and Central America, and I want to quote from page 132, Mr. Chairman, of the first part of the hearings to be released by this subcommittee on the 24th of this month. It is already in print, but so as to locate the point from which I am quoting, I want to say this. Now this is in reference to United States representatives abroad:

> The committee was favorably impressed with a few exceptions by our representatives in the various countries visited.

Now in that statement we had reference largely to our agricultural attachés with whom we had most of our conversations.

Further quoting:

> We found them to be well trained, capable, and pleasant. We also found that they were well thought of by the people in the countries to which assigned. On appropriate occasions the group expressed its good opinion of these people both in the interest of good morale and to let the foreign officials with whom they deal know we have confidence in our overseas representatives.

And then further quoting a few lines below, we say this:

> The committee believes that it is imperative that the work and attitudes of our personnel working overseas be competently reviewed by agencies concerned. People who represent the United States in foreign countries need to be cognizant of the fact that their actions have great influence on the foreign nations with whom they come in contact.

And, further, we say we merely wish to stress the fact that the best interest of the people of the United States must always be foremost in their minds.

I am quoting that from the record.

Now I want to go off the record, Mr. Garnett.

(Discussion off the record.)

HELP FOR REFUGEES

Mr. ANDERSEN. Now, Mr. Chairman, one more issue, please: Under the give-away part of our surplus program, 416, what are we doing to help that vast group of people in the Near East? I am referring to the Arab refugees and the refugees in Palestine or in Pakistan thrown out of India and those, in turn, in India thrown out of Pakistan at the time of the Indian division. How much of this food is going into that particular area, Mr. Garnett?

Mr. GARNETT. I don't have the figure.

Mr. ANDERSEN. While you are looking up the figure, I will say this: I am asking this question because back in 1953 a few of us had the opportunity to look over the conditions in that part of the world, and I want to repeat what I have said several times, that I think there is the greatest chance for our doing good with our surplus food in that population than in any area in the world.

I would like to see us put more food in there if it will help us in our foreign relations. How much has gone into that area, Pakistan, Jordan?

Mr. GARNETT. The refugees specifically are handled by the United Nations.

Mr. FRASER. Work and Relief Agency.

Mr. ANDERSEN. I know that.

Mr. GARNETT. And the United States contributes very largely to that fund.

Mr. ANDERSEN. That I know. Are we contributing more than we did in 1953? Because I saw 35,000 such refugees in one camp near our sacred village of Bethlehem, gentlemen, and another one near Jericho, where thousands of kids were there, quite a few of them born right in that camp. They were getting one-half enough to live on, and we went up there to where they passed out the paltry rations and, to me, that picture will never become erased.

I will go off the record here.

(Discussion off the record.)

Mr. ANDERSEN. Now let me ask you, on the record, is there any prospect of getting more food than normally shipped into that particular area?

Mr. GARNETT. I do not have the answer.

First, we will try to get the information you requested as to the contribution to the area by this UN agency.

Mr. ANDERSEN. Is this a case where the international situation has kept you from doing what you like to do?

Mr. GARNETT. This is handled in the Agricultural Marketing Service, and I would rather not scratch an answer off my head. I will get the report to you.

Mr. ANDERSEN. Will you get it in the record, please, a full answer to my question?

Mr. GARNETT. Yes, sir.

(The material referred to is as follows:)

Donations under sec. 416 for distribution in specified countries, fiscal years 1953 and 1957

[In thousands]

Country	Milk	Cheese	Flour	Rice	Beans	Meal	Corn	Wheat	Total	Cost
	Pounds	*Pounds*	*Pounds*	*Pounds*	*Pounds*	*Pounds*	*Pounds*	*Pounds*	*Pounds*	*Dollars*
Fiscal year 1953:										
India	4,732								4,732	836
Pakistan	2,120								2,120	374
Total, 1953	6,852								6,852	1,210
Fiscal year 1957:										
Gaza	882								882	181
Jordan	3,497	90	1,720	180	80				5,567	929
Lebanon	1,150								1,150	236
Syria	1,020								1,020	209
India	72,107	1,019	1,560	9,410	1,107	100	100	400	85,803	17,615
Pakistan	25,995		14,080	5,950	1,200	5,600		6,000	58,825	9,406
Total, 1957	104,651	1,109	17,360	15,540	2,387	5,700	100	6,400	153,247	28,576

Mr. ANDERSEN. That is all, Mr. Chairman.

Mr. MARSHALL. Mr. Horan.

PUBLICATIONS AID UNDERSTANDING

Mr. HORAN. I just wanted to compliment you on this pamphlet of the three that you handed out. A very fine booklet entitled "American Fruits for the World."

Off the record.

(Discussion off the record.)

Mr. HORAN. Back on the record.

Also, this pamphlet which outlines things you are doing to try to develop markets. It is entitled "New Markets for United States Agricultural Commodities."

I think it is very well done. Very understandable.

This one here is very similar: Developing Foreign Markets for United States Farm Products.

Does this have wide distribution among the affected trade?

Mr. GARNETT. Yes, sir.

Mr. HORAN. Here at home?

Mr. GARNETT. Yes, sir.

Mr. HORAN. I think it is very fine for our American producers to understand what we are doing.

Mr. MINOR. We published 7,300 copies of Developing Markets for United States Farm Products.

Mr. HORAN. There would have to be a limit on how many there could be.

OVERCOMING TRADE BARRIERS

I am very much interested in this matter of international trade. I would like to have for the record something on the matter of road blocks, subsidies, trade policies in foreign countries, and I would like to have you discuss how you go about under the usual channels of general agreement on tariffs and trade to overcome these handicaps and road blocks.

I have studied this Agricultural Policies of Foreign Governments. I think our hearing might reflect something we had, you probably remember, about 4 years ago, I think. We put in about 2 or 3 pages of examples. For instance, France had better than $2 a bushel subsidy on their wheat, and while they didn't supply themselves, they were taking some of our German market at that time.

That poses very interesting problems that you fellows are up against, and I would just like to know what success you are having, briefly.

Mr. BURMEISTER. We have just got a report—I think you will find it listed—on the subsidies paid.

Mr. HORAN. Could we put some of that into the record?

Mr. BURMEISTER. Yes.

Mr. HORAN. I notice in the matter of fruits and vegetables you made seven points on the liberalization of the situation: In Austria, Denmark, Germany, Norway, Japan, and the United Kingdom, and that you are negotiating with Canada on prune juice and trying to have them ease an internal tax problem.

Could we have something on that supplied for the record? I think we will find it very interesting and also one of the problems that they are up against.

Mr. GARNETT. Yes, sir.

(The material referred to is as follows:)

LATIN AMERICA

Policies in exporting areas.—The principal Latin American countries and commodities that compete with United States products in other world markets are Argentina with its grain, linseed, and meat; Uruguay with its grain and meat; and Brazil, Mexico, Peru, and Central America with their cotton.

In Argentina the strict control of trade formerly exercised by the IAPI (Instituto Argentino de Promoción del Intercambio) and a complicated system

of multiple exchange rates has been somewhat liberalized. Now a Meat Board and a National Grain Board supervise the trade in these products. The Government stimulates exports of its products through a system of Aforos (official valuations) and retentions. Competition is made easier because the proceeds received from the export sale in excess of the aforo value can be negotiated at the free market rate, which is considerably above the official rate. Trade and payments agreements and barter or supply agreements are still an important means of encouraging exports. In mid-1956, however, Argentina entered into an arrangement (the Paris Club) for multilateral clearing with several countries of West Europe.

Brazil's most effective method of regulating foreign trade is through exchange control over both imports and exports. The principal competitive export crop, cotton, is given a more favorable exchange rate than that on coffee. In addition the Government also supports the price of cotton to the grower.

Mexico has a system of compensatory exchanges to encourage the export of several products, principally cotton. Under this system the granting of import permits for a list of commodities is subject to the export of an equal value of the commodities the Government wishes to export.

Uruguay also is encouraging the production and export of its farm products, particularly wheat and wool. In recent months the Government increased the guaranteed price for wheat to the grower and adjusted the aforo and exchange rate for wool to stimulate increased sales.

Policies of importing countries.—The northern Latin American countries import the most United States agricultural products. Cuba remains the principal market in Latin America, followed by Mexico and Venezuela. All three are trying to become self-sufficient in many food and raw material items and are restricting imports of certain products. During 1957 Cuba's restrictive measures were largely nontariff. There is a proposal now, however, to revise the entire tariff schedule. Since Cuba is a member of the General Agreement on Tariff and Trade it will be necessary to renegotiate existing concessions with the contracting parties.

Mexico has a long list of agricultural products subject to permit and license. Certain basic food commodities are imported exclusively through the Government agency, Compañia Exportadora e Importadora Mexicana, S. A. (CEIMSA). From time to time the Government imposes a temporary embargo on the import of certain products and restricts imports of others for sanitary or health reasons. Mexico is continuing its trend toward self-sufficiency and diversification.

The Venezuelan Government is trying to expand production of corn, cotton, sugar, and oil seeds. The result has been increasing self-sufficiency and surpluses of some of these crops are available, particularly corn.

In southern South America, Brazil is the best United States market. Its foreign exchange shortage has led to severe restrictions on imports. The new tariff bill has raised the rates on imports to high levels. Although this was accompanied by some reform in the exchange control mechanism, it is not yet known what effect the new law will have on agricultural imports. Since Brazil is a member of the General Agreement on Tariffs and Trade it is necessary to renegotiate the concessions granted to the contracting parties.

WEST EUROPE [1]

Export policies and programs.—As in 1955, nearly one-fourth of West Europe's gross agricultural imports in 1956 came from within the area. These countries also compete, though to a lesser extent, in other overseas markets for farm products. Except for France, they make their sales for the most part without assistance.

France assists agricultural exports chiefly to foreign countries, since it has a protected market in the French franc area. Export assistance for grain, meat, livestock, wine, sugar, butter, and other farm products in 1956 cost the French Treasury the equivalent of $185 million (350 francs to the dollar). This sum is equal to 26 percent of the value of total agricultural exports (as defined by the French) in 1956, or 43 percent of such exports to foreign countries.

Exports of bacon and butter from the Netherlands are at times assisted. The Italian Government has assisted exports of wheat and wheat flour to dispose of surplus stocks of soft wheat during late 1956 and 1957. The United Kingdom

[1] All Europe except the Communist countries.

in the first 4 months of 1957 exported over 44 million eggs to the Continent on which the producer subsidies actually exceeded the export value of the eggs. Since then the United Kingdom Government has agreed to prevent the export of eggs benefiting from subsidies.

The only form of export subsidy in Denmark is a 6 percent premium on dollar sales. Sweden, under its new farm policy, can use funds originating from import and domestic fees on certain agricultural products to assist exports of the same or related products.

Exports of most west European countries benefit from the trade liberalization program of the Organization for European Economic Cooperation (OEEC), which calls for progressive removal of quantitative restrictions on imports from member countries and their overseas territories. Under this program, a high proportion of intrawest European trade has been liberalized. According to the terms of the OEEC liberalization code, French exports still enjoy the advantages of liberalization measures taken by other OEEC countries despite the recent French action of deliberalizing imports.

With imports of many agricultural products liberalized to OEEC countries and other areas, bilateral trade agreements play a less important role in west European trade than they did some years ago. Nevertheless, they are still an important means of promoting exports of products that remain subject to quantitative import restrictions in countries inside as well as outside of the OEEC area.

Trade among members of the European Economic Community (EEC), or common market, will benefit when EEC is established. The Common Market Treaty entered into effect on January 1, 1958. A resolution to establish a free trade area, linking the common market countries with other OEEC countries, was unanimously approved by the Council of OEEC on October 17, 1957. Like the common market, the free trade area plan calls for gradual elimination of tariffs and trade restrictions within the area on many commodities. Unlike the common market, which is to have a common external tariff, the free trade area plan would permit member countries or groups of countries to retain their own barriers against the outside world.

Production and import policies and programs.—Nearly all west European countries protect domestic agriculture. The goal of raising farm living standards, efforts to maintain or increase output for national security and balance-of-payments reasons, the desire for political and social stability, the problem of numerous small farms and under employment on farms, and the pressure from farm interests are factors which make any considerable modification of this protection unlikely. However, there seems to be an increasing awareness that steps to increase productivity and make domestic production competitive rather than maximum protection may be the more desirable policy in the long run.

Remarkable increases in productivity already made, mainly through better technology actually applied on farms, account in large measure for the increase in agricultural output in West Europe, now more than one-fourth above prewar. A recent study [2] estimates that for West Europe, excluding the Mediterranean countries, the rate of increase in total productivity since 1950 has been 2 percent per year, and in labor productivity 4 percent per year. The growth of total output and of productivity is likely to continue at high rates, though not as high as in the recent past. It is therefore probable that West Europe's farm production will become more genuinely competitive, for technological reasons, and even without intensification of government support.

During 1956–57, several countries made progress in liberalizing dollar farm products. For example, Italy and Austria liberalized cotton; 11 west European countries now admit United States cotton without quantitative restrictions. Sweden liberalized soybeans, bringing the total number of countries which admit them free to eight. No additional countries have liberalized tobacco, which had previously been liberalized by seven countries.

Relatively few foods have as yet been liberalized to the United States by more than 3 or 4 of the countries. For oranges and rice, the number of liberalizing countries rose during the year from 3 to 5, for prunes from 4 to 6, and for raisins from 4 to 5. Sweden liberalized wheat during the year, with the proviso that quantitative restrictions may again be applied if the domestic price falls below a fixed minimum level; the United Kingdom is the only other country which does not now have quantitative restrictions on wheat imports.

[2] Technological Factors in the Expansion of Agricultural Production in West Europe, USDA Far No. 102, October 1957.

Despite the progress made in dollar liberalization during the past few years, discrimination against dollar imports continues to handicap American agriculture in its efforts to compete in west European markets. Only the Benelux countries, Switzerland, and Greece have liberalized to the dollar area essentially the same list of agricultural products that are liberalized to OEEC countries and their overseas territories.

Preferential tariffs and bilateral agreements also continue to be a handicap. In the fall of 1956, the United Kingdom and Australia renegotiated the trade agreement they concluded at Ottawa in 1932, when the system of imperial preference was established. On the agricultural side, the outstanding feature of the new agreement is the expression of the desire and expectation of the two governments that commercial sales of Australian wheat and wheat flour in the United Kingdom should amount to not less than 28 million bushels of wheat equivalent annually.

WEST ASIA [8]

Traditionally, the region has been successful in exporting substantial quantities of its outstanding specialty crops—oriental tobacco, dates, and other dried fruits, nuts, and citrus. Some of these have competed with similar United States products in world markets. In recent years, the production of certain basic crops—mainly wheat and barley—has been expanded and intensified. This has resulted in large competitive surpluses of these items in good years. Moreover, west Asian countries have succeeded in the production of relatively new crops, aiming at exports or at meeting growing internal demands. Cotton has been the outstanding example.

Yet, within this competitive pattern, the United States has been able to maintain exports of agricultural items to west Asia. The value of these in 1956 was $115 million, largely wheat and feed grains (56 percent), with smaller quantities of dairy products, fats, and oils, meat products, and a few others. Israel was the leading customer, taking 42 percent of the total. Turkey was a close second, but mainly because of drought resulting in wheat shortages that have been met largely by Public Law 480 imports.

Supporting policies.—An outstanding feature of agricultural development in west Asian countries is that it has been, to a large extent, planned, initiated, aided, and controlled by the states. Agricultural objectives and policies have been determined in the light of national policies and economic needs. Consequently, much of the agricultural effort in these countries has been readily aimed at increasing production and exports, and to save and to earn foreign exchange.

To attain this strongly coveted objectives, the various governments have adopted several types of supporting measures. Outstanding among those are (1) exclusive or dominant commodity purchases by government agencies or monopolies; (2) control of exports through cooperatives or other organizations; (3) payment of export premiums, directly or indirectly; and (4) bilateral, multilateral, or barter trade agreements.

Here are a few actual examples. Export controls reach the peak of comprehensiveness and efficiency in Toprak, the government trading agency of Turkey. It has full control of the purchase, export, and import of wheat and other grains. Member countries of the Arab League in the region enjoy special tariffs and other trade facilities. Israel has an import duty on cotton; other countries have adopted various types of import control. Almost all of the countries are a party to a number of bilateral or barter agreements. Hard currency controls and different exchange rates (official and free or black market) are maintained by several of these governments.

The competitive impact of these major policy objectives and measures has been softened appreciably by the emergence of significant counterbalancing trends. Leading among these have been steady population increases, expansion of industry and urbanization, and demands for higher levels of living among the masses. These, with other factors, have resulted in a much greater expansion of domestic consumption than had been anticipated, leaving smaller volumes available for export. Thus Turkey's textile mills have been rapidly catching up with its total cotton production. Also, its growing population, particularly in rural areas, has been consuming more and better wheat flour, and a greater variety of other food items. Similar trends have arisen in other surplus producing countries, although not to the same extent.

[8] Iran, Turkey, Iraq, Syria, Lebanon, Israel, Jordan, Cyprus, and the Arabian Peninsula.

THE FAR EAST [4]

Export and production policies and programs.—With few exceptions, Far East countries have agricultural policies and/or development programs that call for substantial increases in both agricultural and industrial production. These policies have been brought on by (1) the need to feed and clothe the rapidly increasing population; (2) the need to accelerate exports to increase foreign exchange earnings; (3) the desire to become self-sufficient; and (4) the increasing raw material requirements of the expanding industries. Several Far East countries have adopted 5-year-plan goals.

If these goals ar reached, it could mean some increase in competition for United States products by Far East products in world markets. But the greatest impact is likely to be a declining demand for American farm products in this large and populous area. Production of farm products will almost certainly increase in every country, but the increase may be no faster than the increase in population in most countries.

India's agricultural production increased substantially during its first 5-year plan which ended March 31, 1956. This plan merged into the second, which calls for an overall increase of 28 percent in farm output, including production boosts of 58 percent for cotton, 25 percent for food grains, and 37 percent for oilseeds.

The country's principal farm products that compete with United States products in international trade are flue-cured tobacco, vegetable oils, and certain staple lengths of cotton. These new goals seem unrealistically high, particularly since certain favorable factors that aided fulfillment of the first plan period are not likely to be repeated in the second.

The export policy of the Indian Government is to encourage but control exports and to promote export of specific commodities, such as cotton textiles and tobacco. As a member of the British Commonwealth, India receives certain preferences from other commonwealth countries. Bilateral trade agreements help determine volume and direction of India's exports, and barter is occasionally practiced. All exports are subject to licensing except those under open general license or made on government account.

Pakistan's first 5-year plan, dating from 1956, calls for boosts in farm output of 38 percent in cotton; 13 percent of food grains; 29 percent in oilseeds; and 16 percent in tobacco. It is unlikely that many of these targets will be achieved. Cotton is Pakistan's chief competitive commodity but its exports are not entirely competitive with United States cotton because of differences in staple length and quality.

Pakistan's export trade is controlled by quotas and licensing. Export duties on jute and cotton are an important source of revenue. Pakistan also is a members of the British Commonwealth and receives certain preferences in trading with other commonwealth countries.

In Burma and Thailand rice is the main agricultural export and both countries are encouraging greater production for export. Both Burma and Thailand now export about 2 million tons of milled rice annually, mainly to the Far East. Each of these countries leans heavily on trade agreements to direct shipments of rice; Burma has some barter commitments.

Malaya, Indonesia, the Philippines, and Ceylon export little agricultural products in direct competition with the United States. Their policies are principally concerned with self-sufficiency. Indonesia does export a little (around 10,000 tons) tobacco, but prospects are for smaller exports. This group of countries also exports coconut oil and/or copra and palm oil which compete against some of the United States vegetable oils and oilseeds in world markets. The Philippines has expanded tobacco production until it has some surpluses, but at least for the present the quality is not acceptable in world trade and offers no immediate competitive threat to United States leaf exports.

Import policies and progress.—The main concern of United States agricultural exports in the Far East is primarily one of competing with products from other areas for this market. Competition is complicated because practically no country of this area has enough foreign exchange to permit complete freedom of imports. All of the countries must manage with frugality both the volume and direction of their scarce foreign exchange.

Imports of United States agricultural commodities into the region under Public Law 480 agreements have been important. Most countries of the area have had

[4] Pakistan, India, Ceylon, Burma, Malaya, Thailand, Laos, Cambodia, South Vietnam, Indonesia, Philippines, Formosa, Japan, and South Korea.

Public Law 480 agreements. Food grains have been the principal imports under the agreements, but cotton, tobacco, dairy products, and some fats and oils have also been included. Shipments and loans under Public Law 480 have helped these countries materially in their development programs, which should eventually establish better markets for United States farm products in this area.

Japan will continue to need increasing quantities of agricultural products to supplement its food supply and provide raw materials for industry. Wheat, cotton, rice, barley, soybeans, tallow, and hides and skins are purchased in great bulk by Japan. In recent years, the United States has had about 40 to 45 percent of the Japanese market for these products. But Japan has foreign-exchange problems and is trying to diversify its trade to conserve dollars.

A recent trade agreement with Australia is an example. This agreement puts Australian wheat, barley, tallow, hides, dairy products, and raisins into the Japanese market in competition with United States products in exchange for special tariff treatment for Japanese exports to Australia. Prices must be competitive to attract Japanese purchases. The countries which will buy from Japan are the ones that will share increasingly in Japanese purchases.

In recent years India has been an important market for United States wheat, high-quality, flue-cured tobacco, cotton of certain staple lengths, and other farm products. Australia has been the principal United States competitor in sale of wheat. India also is getting increasing quanities of cotton from Kenya and the Sudan. The United States has faced little competition from foreign sources for India's supply of high-quality tobacco leaf, but this market has declined due in part to higher quality of Indian leaf.

India offers tariff concessions to other members of the British Commonwealth. Imports are licensed for the most part; exceptions are Government imports and some open general license items.

Pakistan imports sizable amounts of United States wheat, rice, cotton, dairy products, and tobacco. Most shipments, however, have been made under United States Government programs. Tobacco is the only commodity for which a steady commercial demand has developed. The need for United States tobacco and other farm products is expected to continue. Pakistan's ability to buy on world markets is rather limited. It turns to Australia for some of its wheat and buys most of its rice from Burma and Thailand. The bulk of agricultural imports is food grains and is handled by the Government, therefore is not subject to quota or licensing as most other imports are.

Burma and Thailand traditionally import very little from the United States. Some few commodities, principally dairy products and tobacco, have gone into these countries from the United States under Government programs. The heavy purchases of dairy products, principally condensed milk, are from Oceania and West Europe, while the imports of wheat flour are mainly from Australia.

The Philippines imports large quantities of wheat flour, meats, cotton, and dairy products; the United States has been the primary supplier. Past United States political ties with this country have been reflected in the trade agreements by which the United States products receive preferential treatment. This tariff concession is being reduced in steps. In the long run the United States will face more competition for this market. The Philippine market for United States tobacco has closed up because of increased domestic production.

Ceylon is a commercial importer of rice, wheat flour, sugar, dairy products, and tobacco. United States has little of the market of this Commonwealth country. Ceylon has recently extended its trade agreement with Communist China.

The basic agricultural import of Malaya and Indonesia is rice, traditionally from nearby Thailand and Burma. Imports of dairy products and wheat flour are also important. The United States has not supplied much of this market commercially. However, the United States has shipped sizable quantities of rice, wheat flour, tobacco, and cotton to Indonesia under Public Law 480.

AFRICA

Supporting policies.—The agricultural policy of Egypt has been dictated by two compelling needs: to meet the demands of a rapidly growing population on limited land and to earn foreign exchange for development and for imported consumer goods. Cotton has been by far the main earner of such exchange, followed by rice. To encourage exports, Egypt has been compelled to adopt all kinds of supporting measures—acreage allocations for major crops, Government purchases, price supports, export subsidies, bilateral or barter agreements, and others. Its economic viability is heavily tied up with the fate of its cotton crop.

Until very recently, Tunisia and Morocco were tied up politically and economically with France. Their agricultural production and exports were adjusted to metropolitan needs and policies. Consequently, they enjoyed competitive facilities within the franc zone. Since gaining their independence in 1956, these two countries have been making adjustments and developing their own agricultural policies. The situation is still transitional, but familiar pattern seems to be emerging. This is dictated by two compelling needs: to earn foreign exchange for further development and to raise living standards among the people. Emerging agricultural development plans call for expanded irrigation, agrarian reform, and mechanization. The objective is to increase production as much as possible, both for increased domestic consumption and for exports. The two countries have already engaged in bilateral trade or barter agreements, aiming at maintaining or expanding their markets.

The economies of Africa below the Sahara, with the exception of Liberia, have been closely integrated with those of the European countries concerned: United Kingdom, France, Belgium, Portugal, and Spain. Their agricultural production and export policies have been inspired and guided primarily by these mutual interests.

Thus two major trends have emerged over the years, with competitive impact on United States trade. The first has been the persistent encouragement of certain competitive export crops—corn, peanuts, cotton, tobacco, and citrus—mostly for the European market. Special development programs, guaranteed prices, export aid and facilities, regional agreements, and other measures have been adopted for this purpose. The second trend has been the imposition of certain controls and restrictions on dollar imports.

REDUCING FOREIGN TRADE BARRIERS

A basic objective in the maintaining and development of foreign markets for American farm products is to secure the reduction or removal of trade barriers. These include exchange controls and other Government regulations which serve to limit export markets for United States agricultural products.

During 1957, continuing dollar shortages in many countries were an important reason why some of these countries maintained exchange controls and other restrictive regulations, and they constituted a major limiting factor to the normal commercial exports of United States agricultural commodities. The balance-of-payments positions of a number of foreign countries vis-a-vis the United States deteriorated considerably.

In all areas, efforts to reduce trade barriers and relax controls affecting United States agricultural exports have been continued wherever opportunities have occurred. These opportunities are afforded, in individual countries, through the daily contact of United States agricultural attachés with representatives of governments, through attaché and marketing specialist contacts with trade representatives, and through diplomatic channels.

The most effective international forum in which to seek the reduction of trade barriers continues to be the meetings of the contracting parties to the General Agreement on Tariffs and Trade (GATT).

Countries adhering to the GATT include most of the major trading nations of the free world, and account for over 80 percent of total world trade. In addition to its 35 trading partners in the GATT, the United States has trade agreements with 8 other countries. United States agricultural exports to trade agreement countries (including the 8 nonmembers of GATT) totaled $2,450 million in 1955 and $3,215 million in 1956, compared to farm exports to all other countries amounting to $744 million and $942 million, respectively.

As a result of a United States proposal under the procedures of GATT, other contracting parties have agreed to overall reviews of the application of trade controls growing out of balance-of-payments difficulties. Two such reviews were held in 1957: One, in June with eight countries (Austria, Denmark, Germany, Greece, Italy, the Netherlands, Norway and Sweden), and the other, during October-November at the fall meeting of the contracting parties. Included in the latter session were Finland, Brazil, Turkey, the United Kingdom, Rhodesia and Nyasaland, France, India, Pakistan, Ceylon, New Zealand, Australia, South Africa, and Japan.

In both meetings, the goal sought by the United States was the progressive elimination of trade barriers. Several countries reported that they had already extensively liberalized dollar trade and, in some cases, were planning further liberalization.

EXAMPLES OF LIBERALIZATION

Continental Europe

Austria has liberalized cotton, soybean oil, cottonseed oil, oilcakes, rice, lemons, and oranges, citrus-fruit juices in bulk, canned grapefruit and peaches, and various dried fruits. At the Geneva meeting, Austria reported that additional dollar-trade liberalization was under consideration.

The Belgium-Luxembourg Economic Union and the Netherlands have liberalized more than four-fifths of their agricultural imports from the dollar area, including frozen meat, frozen dressed poultry, coarse grains and certain other feedstuffs, rice, oilseeds, certain oils and fats, preserved fruits, tobacco, and cotton. Belgium has also liberalized citrus fruits. The Netherlands reported at the June 1957 consultations that it was liberally licensing citrus-fruit juices, oilcakes, and cattle hides.

Denmark has liberalized many of its farm imports from the dollar area, among them rough rice, dried fruits, beans, peas, lentils, tobacco, oilseeds, feedstuffs, sorghums, and cotton. Licenses are granted freely for raisins and prunes.

Finland, to meet inflationary pressures, devalued its currency in September 1957, and subsequent liberalization measures included only minor United States agricultural products.

France has never liberalized any important United States farm product. Between July 1, 1956, and September 30, 1957, it suffered heavy gold and dollar losses, and, after the 20-percent devaluation of the franc in August 1957, suspended all trade liberalization measures.

Germany. In view of the great improvement in its financial position, the consensus at this year's Geneva meetings was that West Germany's remaining import restrictions were no longer needed for financial reasons. The Germans stressed that certain economic difficulties existed with regard to further import liberalization, but stated that, for many of the products not yet freed, they liberally granted import licenses. Trade in cereals, meats, fats, and sugar is controlled by state trading agencies. Imports of some other agricultural products, i. e., fresh citrus and some vegetable oil, were liberalized as of January 1, 1958.

The following United States agricultural products can now be imported into Germany free from quantitative restrictions: Cotton, tobacco, oilseeds, vegetable oils for technical use, hogfat and tallow for technical use, dried fruits (except raisins and currants) tomato juice and powder, and liquid, frozen, or dried eggs. Agricultural items that are freely licensed under open tenders for specified periods are citrus-juice concentrate, fruit juices not concentrated, raisins, poultry, and some variety meats.

Greece has achieved a comparatively favorable monetary position and has liberalized all private imports of agricultural products. Wheat and wheat flour, however, are state traded.

Italy announced during the June consultations in Geneva the liberalization of dollar cotton, its most important United States farm import. Previously, Italy liberalized inedible tallow, oilcakes and meal, cotton, linters, resins, hides and skins, bonefats, and slaughterhouse residues.

Norway, for the first time in the postwar period, liberalized imports of apples, pears, peaches, and plums. This will apply to the major part of the 1957–58 marketing season. Norway has liberalized cotton, tobacco, oilseeds, tallow, casings, hops, grapefruit, lemons, dried fruits, tomato paste in large containers, certain beans, and peas and lentils.

Sweden shifted in 1956 to a new price-support system for its more important farm products. Under this system—to be tried out over a 3-year period—Sweden relies primarily on import fees to maintain domestic farm prices within certain limits. Sweden followed up this change in its farm program by announcing that, as of July 1, 1957, the following would be freed from licensing requirements: wheat, rye, and other grains, flour, sugar, copra, certain live animals, salted horsemeat, edible parts of sheep, horses, cattle, and swine, butter dyes and cheese dyes containing oil, certain sauces, soybeans, oilcakes, feedstuffs, peanuts, and certain other edible oilseeds, beans and peas, olive and cottonseed oil, and margarine and other butter substitutes.

Should import prices fall below the minimums set in the new price-support program for competing Swedish farm products, import restrictions for such commodities might be imposed. Previously, Sweden had liberalized dollar imports of cotton, dried fruits, rice, linseed oil, some fruit and berry juices, and fresh vegetables (seasonally). To protect Swedish producers, apple and pear imports remain limited by seasonal restrictions.

Some United States products, such as tobacco, citrus, and certain other fruits and berries, are admitted by Sweden without quantitative limitations, if payment is made in nondollar currencies or in so-called transit dollars (i. e., dollars bought through commercial banks at a small premium).

Sterling area

The United Kingdom, the banker of the sterling area, lost dollars as a result of demands by Commonwealth and other holders of sterling. Stern measures increased exchange reserves in the last quarter of 1957, so that the country maintained its dollar trade liberalization measures. Current agricultural items liberalized under open general licenses are wheat and wheat flour, rice, coarse grains, straches, dried beans, peas and lentils, soybeans, most animal fats, vegetable oils, feedstuffs, cotton linters, and hides and skins. Raw cotton is subject to open individual licensing.

India has suffered a large drain on its exchange reserves because of increased import requirements resulting from economic development and population growth. Gold and foreign exchange assets declined by about 50 percent in 1956 and 1957. As a result, India tightened its import controls. This has had no real impact on United States agricultural exports to India because most of them have been shipped under special United States programs.

Australia relaxed some import restrictions for dollar-area imports in 1957, but these measures were largely confined to industrial and raw materials.

From 1950 to mid-1957, New Zealand took a series of steps liberalizing trade, among others, licensing of United States tobacco. Because of recent financial difficulties, some trade controls have been reimposed.

Balance of payments difficulties caused Pakistan to reintroduce some trade controls in 1957. These did not affect our agricultural exports, which move mainly under special United States programs. Wheat, rice, and sugar are subject to state trading.

South Africa, in general, has eliminated discrimination against the dollar area. Preferential treatment is granted to the Federation of Rhodesia and Nyasaland. Rhodesian tobacco is imported without permit; agricultural imports from other areas are controlled.

Ceylon has removed its quantitative limits on many imports of dollar products but only for so-called Ceylonized firms (i. e., firms predominantly owned and managed by Ceylonese). Imports by other trading firms are limited on an historic basis. For some products, this has operated to restrict imports from the United States. Recent Ceylonization of some major businesses in Colombo is claimed to have increased import opportunities for United States canned goods to Ceylon.

Asia

Japan, Indonesia, and Turkey experienced serious financial difficulties in 1957. Japan has liberalized a substantial part of its import trade but only a few United States agricultural products have thus far benefited from these measures. Some important United States agricultural export products were affected by the tightening of Japanese import licenses that followed the decline in its exchange reserve during 1957.

Latin America

Brazil has struggled with inflationary pressures for many years, which have caused it to have recourse to multiple exchange rate practices. Recently, Brazil put into effect a new, substantially higher tariff, which is still being negotiated with the member countries of the general agreement. At the same time, Brazil greatly simplified its multiple exchange rate system.

Mr. HORAN. May we have these pamphlets [indicating]?

Mr. GARNETT. You may.

Mr. MINOR. In that same connection, you may wish to mention this Competitive Position of the United States Farmer.

Mr. HORAN. Yes. I would also in that same connection like to mention Competitive Position of United States Farm Products Abroad.

All of these are good publications. I think that American producers will understand more of what we are trying to do through the issuance of such publications.

Mr. MARSHALL. We notice in the pamphlet Developing Foreign Markets for United States Products that the export trade in dairy products—that table points out that in 1956 we exported 93 million pounds of evaporated milk and that dropped to 89 million pounds. What was the reason for the drop of evaporated milk?

I would think that the market would take more evaporated milk instead of less.

Mr. PAARLBERG. There has been some loss of our evaporated-milk market in the Philippine Islands, probably the result of a number of different causes—very stiff competition from the Dutch, a price disadvantage for the American product, the development of reconstituted milk locally, using their own abundant supplies of coconut oils as a source of fat.

Mr. MARSHALL. What are we doing to help our American dairymen combat this unfair competition in some of the rest of these countries? What is the Department doing in helping to meet it, in other words?

Mr. PAARLBERG. I don't know that we could call it unfair competition. We have, we think, a superior product in the United States as far as quality is concerned. This helps us. We are doing whatever we can to improve the quality of that product. The price adjustment in dairy products will improve somewhat our competitive relationship with other supplying countries.

Mr. MARSHALL. Have we been stepping in there with the use of section 32 money to help anyone regain that market?

Mr. PAARLBERG. Insofar as development work is concerned, under development of markets, this is true.

Mr. NATCHER. Will you yield?

Mr. MARSHALL. Yes.

TRADE FAIRS

Mr. NATCHER. Mr. Secretary, what success are we having with our agricultural trade fairs, briefly?

Mr. PAARLBERG. Well, we feel they are very successful, very effective. We feel we can continue to expand our work along these lines.

A number of the foreign countries have gone further with trade fairs than we in the United States. It is sort of a national institution with various countries abroad. We have previously not done this sort of work. We have dealt more on a personal basis with the present business firms.

I think that the present opinion is that in so doing we have overlooked opportunities and have permitted some of the foreign countries to gain an advantage they would otherwise not have, and we are trying to repair that oversight on our part by participating more actively in these trade fairs.

Mr. NATCHER. I wonder if you would at this point in the record insert a short statement?

Mr. PAARLBERG. Be very happy to do that.

Mr. ANDERSEN. And just one point further, Mr. Chairman.

Mr. MARSHALL. Certainly.

Mr. ANDERSEN. Would you supply the location of the trade fairs coming up the next year or so abroad in which we are taking part?

Mr. PAARLBERG. Yes, indeed.

(The material referred to is as follows:)

AGRICULTURAL EXHIBITS AT INTERNATIONAL TRADE FAIRS

Market-promotion exhibits of United States farm products have been presented in 20 international trade fairs abroad since the enactment of Public Law 480. These exhibits have reached some 12 million people in 12 different countries, affording millions of people their first opportunity to see, taste, and feel the quality of our agricultural products.

Exhibits of United States agricultural commodities in these fairs are organized in cooperation with private trade groups. Generally, a participating industry or trade group provides exhibit ideas, technical personnel, display materials, and, in some cases, commodities for use as samples. The United States Government organizes and manages the exhibits; rents space; arranges for design, construction, and operation of the exhibits; provides transportation of exhibit material and travel expenses and per diem of industrial technicians and commodity specialists participating in the cooperative arrangement.

The most recent major agricultural exhibit was held in Cologne, Germany, in September 1957 where the demountable pavilion previously used in Barcelona was set up at the ANUGA Food Fair. In addition to serving as a showcase for displaying United States agricultural products to German consumers, the exhibit was an effective meeting place for German and American businessmen. At the United States pavilion, informal luncheons and conferences were helpful in promoting trade relations. Means of easing import restrictions and meeting other trade-barrier problems were discussed and business contacts established.

Commodities displayed at Cologne were citrus, deciduous, canned and dried fruits; poultry and poultry products; lard and meat products; wheat and wheat products; honey; fresh frozen and fresh prepared foods; tobacco; and soybeans and soybean products.

The distribution of samples of United States farm products is a regular feature of these market promotion exhibits. Products usually served as samples include recombined milk, ice cream, and cheese; citrus juices; doughnuts, bread, and pastry from United States wheat flour; and cigarettes using United States tobacco. Other sampling activities have included frankfurters, lard, potato chips fried in soybean oil, and popcorn. Such samples help break down taste prejudices by giving many people their first opportunity to taste American farm products.

Trade-fair plans for the year ahead, most of which are tentative, include exhibits at the following international trade fairs:

Tentative list agricultural exhibits at international trade fairs for calendar 1958

City	Dates	Fair
Osaka, Japan	Apr. 12 to 27	Japan International Trade Fair.
Sao Paulo, Brazil	May 10 to June 10	Brazilian Agriculture and Food Exposition.
Poznan, Poland	June 8 to 22	27th International Trade Fair.
Varese, Italy	June 14 to 16	National Poultry Meat Fair.
Izmir, Turkey	Aug. 20 to Sept. 20	26th International Trade Fair.
London, England	Aug. 28 to Sept. 11	British Food Fair.
Hamburg, Germany	Aug. 29 to Sept. 7	International Food and Delicatessen Exhibition (LEFA).
Zagreb, Yugoslavia	Sept. 6 to 21	International Trade Fair.
Vienna, Austria	Sept. 7 to 14	International Fall Fair.
Bari, Italy	Sept. 7 to 25	22d International Levant Fair.
Salonika, Greece	Sept. 7 to 28	International Fair of Thessaloniki.
Munich, Germany	Sept. 25 to Oct. 5	International Exhibition of Groceries and Fine Foods (IKOFA).
New Delhi, India	Oct. 1 to Nov. 1	United States exhibit (solo).

SURPLUS AGRICULTURAL COMMODITY PROGRAMS

Mr. MARSHALL. I want to call your attention to a report made by our investigators on surplus agricultural commodity programs under section 32, Public Law 320 (74th Cong.), Public Law 480 (83d Cong.) and Mutual Security Acts.

This report is being published in the appropriate place in our hearings and we feel that we should call it to your attention in order that you can make proper reference to it.

(The report referred to may be found on page 1108.)

In putting in the justifications a short time ago, we find that we included a table for the commodities under section 402 of the Mutual Security Act, so that you don't need to supply anything further on that.

Mr. MINOR. Mr. Chairman, might I at this point call your attention to 3 or 4 items that you may want to insert in the record.

SUMMARY OF SITUATION BY COMMODITIES

For several years a summary of the situation by commodities, has been included.

Mr. MARSHALL. We are glad you called that to our attention because we do want that included.

(The material referred to is as follows:)

COTTON

World situation.—In 1957–58 world production of 39.1 million bales is down 1.7 million from a year ago and is 2.5 million less than estimated consumption. World production in 1958–59 is expected to remain near the constant level of the past 4 years, while world consumption continues a moderate uptrend. Stocks will be reduced for the third successive year but will still be above normal.

United States situation.—Production in 1957–58 of 11.0 million bales is down 2.3 million from last year as a result of acreage reduction under soil bank and unfavorable weather. Consumption of 8.0 million in 1957–58 would be down 0.6 million from last year, and 1.2 million from 2 years ago. Postwar range is 7.8 to 10.5 million. Exports in 1957–58, estimated at 5.5 million, are down 2.1 million from 1956–57, but would exceed all except 2 of the postwar years. Sales by CCC for export in 1957–58 total 4.8 million as of January 14. Total United States stocks, down to 11.3 million bales August 1, 1957, from record level 14.5 million a year earlier, will be about 8.8 million on August 1, 1958.

Short term outlook.—Current world consumption is 2.5 million bales above world production and increasing slightly faster than production. Discontinuance of the soil-bank program, or moderation of acreage restrictions, could offset most of this differenec in 1 year. Foreign production expected to resume moderate uptrend in 1958 and keep pace with foreign consumption rise through 1958–59. Excess of foreign consumption over production to remain at about 5.7 million bales. Gradual rise in United States export sales price (by 2.5 cents a pound for base quality) past 2 years is again encouraging expansion of production of foreign cotton and synthetics.

Long term outlook.—Foreign consumption expected to rise faster than foreign production, assuming United States prices remain competitive on export market, and there are no major worldwide disruptions, such as war or depression. Extent of long-range rise in United States consumption depends heavily on discontinuance cotton 2-price system. Within 10 years production may be geared to export level of 6.0 to 7.0 million bales and consumption of 9.0 to 10.0 million, assuming early return to 1-price system.

Accomplishments.—On-the-spot investigations of cotton's competitive position were made in 10 African countries and territories which collectively account for 95 percent of cotton production on that continent. Reports are being prepared covering these investigations. Two other on-the-spot studies are planned for this spring. One of these involves interfiber competition and American cotton's competitive position in Western Europe. If availability of personnel permits, a survey of cotton in Peru and Colombia also will be undertaken. The study of cotton in Peru also will permit the preparation of an analysis of the current world extra-long-staple cotton situation, since each of the three major producers of this type of cotton—Egypt, Sudan, and Peru—will have been studied within the year. In addition to these new studies, a number of reports based on earlier studies were released during the current year.

Foreign-cotton information of interest to American readers has been analyzed and circulated in regular publications. Fifteen reports covering world trade, production, consumption, and stocks were issued as circulars during 1957, and 225 cotton articles appeared in Foreign Crops and Markets. A continuous series of world price data was maintained to show the competitive position of United States cotton in foreign markets. (See attached sheet for accomplishments of marketing specialists.)

Plans.—The foreign-competition staff will continue to make analyses of foreign cotton and foreign man-made fiber competition with American cotton based on both on-the-spot studies and analyses of material obtained periodically from agricultural attachés, Foreign Service officers, and other sources. Studies of the competition faced by American cotton from man-made fibers in Japan and foreign cotton production in South America will be made as soon as practicable. (See attached sheet for plans of marketing specialists.)

ACCOMPLISHMENTS OF MARKETING SPECIALISTS—COTTON

1. In 1957 studies were made of market conditions and prospects for future sales of United States cotton in Western Europe, Asia, Australia, and the Philippines. FAS circulars and feature articles were issued on the results of these surveys. Some of the highlights were: (1) German importers and mills prefer United States cotton because of its quality and dependability; (2) Austria is importing more United States cotton and has expressed interest in buying American extra-long staple in the future; (3) British mills are meeting strong competition both at home and abroad; (4) cotton production in Spain is rising and now furnishes about one-half of domestic consumption; (5) Turkey is declining as a cotton exporter because of stable production and rising domestic consumption; (6) Philippines is making great strides in developing a textile industry, imports of United States cotton will probably be doubled in 1957–58, and domestic cotton production supplies only about 5 percent of mill requirements; (7) during 1957 Australia imported about 75 percent of its cotton requirements from the United States.

2. A study of quality comparison and evaluation of the 1955 crop of United States and foreign cotton was published in the spring of 1957. The results showed United States cotton to have a higher quality index than foreign growths of the same grade and staple lengths in 11 of 15 comparisons. Along with the study a new method for determining an overall quality index was developed and has been well received by both foreign and United States cotton spinners and weavers.

3. A survey was made of processing and utilization practices for United States cotton in Japan, Korea, Hong Kong, Philippines, India, and Pakistan. In some countries it was found that improper processing of United States cotton for spinning was giving poor results and causing complaints. On the basis of this survey, work is now underway to help the mills overcome problems in the proper handling of United States cotton.

4. Cotton market development projects under section 104 (a) of Public Law 480 have been inaugurated in the following nine countries: Japan, France, Federal Republic of Germany, Spain, Switzerland, Belgium, Austria, Netherlands, and Italy. These 9 countries have about 300 million people. These projects are conducted in cooperation with the Cotton Council International and provide a coordinated program of market research, sales promotion, and general publicity aimed at increasing cotton consumption. In each country the CCI assists the local industry organizations in planning the program, provides technical assistance, trains local personnel, and supervises the work in accordance with the agreement. Significant results are being achieved through the projects now in operation. Japan is one of the best examples of accomplishments in this field of foreign promotion. Since the beginning of the cotton promotion project in this country in December 1955, demand for cotton goods has risen steadily. Per capita consumption rose from an average of slightly over 6 pounds of cotton in 1950–54 to almost 8 pounds in 1956. We believe that the promotion program has played an important part in this expansion. This belief is supported by the fact that cotton consumption rose 20 percent in 1956, while national income in Japan rose only 11 percent. In addition, the expanding use of cotton products took place while the percentage of consumer income spent for clothing was declining.

In the fall of 1957 a survey was made of Far Eastern countries and Australia to determine the opportunities and prospects for further expanding the cotton market development program. Consideration is now being given to how work can be organized and started in such countries as India, Pakistan, Korea, the Philippines, and others. These countries were found to be receptive to the idea of undertaking cooperative programs to expand cotton consumption.

Plans.—The Foreign Marketing Branch will continue to make current surveys of market conditions and prospects for United States cotton exports to foreign countries. The marketing specialists will analyze and evaluate the requests

of foreign countries to purchase cotton under title I of Public Law 480 with emphasis on maximizing dollar sales. The technical liaison program with foreign textile processors to demonstrate the superior qualities of American cotton will be continued. Studies will be made in a number of countries in Asia looking toward the development of additional cotton market development programs under section 104 (a) of Public Law 480.

World Dairy and Poultry Situation

WORLD DAIRY SITUATION

World milk production in 1957 has been estimated at about 655 billion pounds, roughly 2 percent over the previous record year, 1956. Increased production was particularly noticeable in the major European countries where pasture conditions were unusually favorable. In the United States, production increased for the fifth consecutive year.

Estimated world production of manufactured dairy products, butter, cheese, dried milk, and canned milk in 1957 is higher than in 1956. Total butter production has been estimated at about 10.3 billion pounds with production in the major exporting countries holding at about the 5.7 billion pound level of the past 2 years. However, butter consumption in most countries has not kept pace with growth in population and supplies available for export have continued to increase.

Output of cheese in 1957 will be slightly above the 1956 level of production. Although cheese consumption has risen continuously since World War II, the recent increased rate of output has maintained pressure on cheese markets. This condition has been reflected in the lower prices prevailing in most markets from late 1956 throughout 1957. Only minor improvements in prices have been evidenced thus far in 1958.

Production of both dried and canned milk will be higher in 1957. Because of the versatility and adaptability of these products for export markets, production of these products will probably continue upward for several years.

World trade in dairy products in 1957 was probably down slightly from the 1956 level. Increased shipments of cheese and processed milk were more than offset by decreased shipments of butter. Reduced trade was due primarily to (1) a reduction in donations from the United States under various aid programs and (2) increased output of dairy products in the principal importing countries.

United States situation

Milk production in the United States in 1957 has been estimated at 127 billion pounds, or 1 percent above the previous record high established in 1956. Purchases of dairy products under the price-support program in 1957 were substantially larger than a year ago. Government purchases for the year 1957 will account for about 4½ percent of total output. Stocks of butter owned by CCC are above last year, but small compared with recent rates of disposition. Holdings of cheese are about the same as in 1956; stocks of nonfat are also not greatly different from last year. Stocks of all items are well below the peak levels of 3 years ago. The Department, mainly through the Agricultural Trade Development and Assistance Act (Public Law 480), has been quite successful in moving CCC holdings of dairy products into export channels.

Short-term outlook

For the next year, further moderate increases in world milk production appear likely. Dairy products, especially butter, cheese, and nonfat dry milk, will probably continue in heavy supply.

United States supplies of milk in 1958, assuming normal weather conditions, will again exceed demand. The level of Government purchases will be influenced by the impending change in the price-support level. Because of the wide difference in United States prices and those of other exporting countries, there appears to be little prospect for any substantial increase in commercial exports of United States dairy products.

Long-term outlook

Assuming a continuation of gradual changes in the pattern of dairy product utilization, the present and prospective world dairy production potential indicates that for the near future the output of dairy products will continue to exceed effective market demand for most items. This means, generally, that dairy products will continue to move into export at heavy cost to stabilization funds or Government subsidy.

Over the long-term period, however, consumption of dairy products should increase substantially and bring about a better balanced supply-demand situation. Increased consumption should result from such positive factors as (1) continued population growth in present heavy consuming (high-income) areas; (2) increased industrialization in the underdeveloped areas and some realization of a higher standard of living.

Present demand-supply relationships for dairy products in foreign markets indicate that if the United States is to continue to export sizable quantities of dairy products over the next 4 or 5 years, continued Government financing of such exports will be required.

WORLD POULTRY SITUATION

Poultry and egg production in the principal producing countries continued at new record levels through 1957. In the United Kingdom, under a program of guaranteed prices to producers, egg production has increased rapidly and this country, formerly the world's largest importer of eggs, is rapidly approaching self-sufficiency. Despite this drastic change, world trade in shell eggs continues at a high level. The Federal Republic of Germany has become the major market and has greatly increased egg imports from the Netherlands and Denmark. International trade in poultry meat is also increasing. In recent years, Canada, West Germany, and Switzerland have increased substantially imports of fresh and frozen poultry.

United States poultry situation

Egg production in the United States in 1957 totaled 169 million cases, down less than 1 percent from the high level of 1956.

Broiler production, one of the most dynamic phases of the poultry industry, set a new record in 1957 of a little over 1.4 billion birds, about 6 percent above 1956. This increase was accomplished despite generally lower broiler prices and lower product-feed price ratios.

Turkey production in 1957 was also at a record level with a crop of about 81 million birds. This record crop resulted in substantial additions to storage stocks.

United States exports of all poultry products has increased steadily in recent years and in 1956 were valued at $43.6 million. Exports during the first half of 1957 showed some gains, but total exports for the year may be down because of restrictive actions taken in the latter half of 1957 by some of our best customers—Canada, Cuba, Venezuela and Mexico.

Short term outlook

Egg production in the major producing couutries is expected to continue near current high levels. The present laying flock in the United States is 6 percent smaller than for the comparable period of 1956 and egg production may not equal the 1956 rate until about midsummer.

Early indications are that 1958 turkey production may be comparable to the record 1957 output of about 81 million birds. Prices in 1958 are also expected to be about unchanged from 1957. However, production of small turkeys, ranging from 4 to 10 pounds is expected to decline substantially. This is the most popular size in foreign markets.

In recent weeks, broiler prices in the United States have strengthened considerably. This will provide an added incentive for maintenance of record production levels. Exports of poultry meat, particularly broilers, may increase and partially offset an expected decline in shipments of eggs.

Long term outlook

Despite a wordwide effort toward self-sufficiency in food production, demand for poultry products in some areas is rising faster than can be supplied by increased local production. Such situations offer some prospect for further increases in trade in poultry and poultry products. This situation offers prospects for limited additional exports from the United States.

Accomplishments

The Dairy and Poultry Division, through its marketing and survey activities, has assisted the United States dairy and poultry industries in developing and

expanding export markets for United States poultry and poultry products, dairy cattle, and dairy products.

An outstanding example of the creation of a new dollar market through market development efforts is the market in West Germany for United States frozen, ready-to-cook poultry. Over 4 million pounds of ready-to-cook poultry was introduced to the German market under a title I, Public Law 480 program. A market promotion project was established to acquaint the German consumers with the United States product being placed on the market. As a result of this introduction and market promotion, the German Government recently issued a dollar tender for United States poultry.

In Thailand, FAS has conducted a sampling and nutritional project whereby recombined milk and ice cream, utilizing United States ingredients in a commercially operated, recombining plant, have been distributed under controlled conditions to schools, hospitals, and charitable organizations. As a result of this program, thousands of new consumers are being developed for dairy products made from exportable United States dairy ingredients. This increased market will be supplied on a commercial basis by the operating plant. This operation, without further expansion of production, provides an annual market for 300,000 pounds of nonfat dry milk and 100,000 pounds of anhydrous milkfat from the United States.

To assist in expanding the overseas market for United States dairy cattle, a USDA bulletin, "Care and Management of Dairy Cattle," an especially prepared "Buyer's Guide for United States Dairy Cattle," and promotional pamphlets for each of the five major United States dairy breeds were translated and published in Spanish and Portuguese in Argentina. This material has been distributed to the United States agricultural attachés in Central and South American countries for distribution, to encourage increase imports of United States dairy cattle. In addition, FAS has assisted in the establishment of demonstration herds of purebred United States cattle at agricultural colleges, experiment stations, and similar institutions in Latin America.

FAS marketing specialists have surveyed market conditions and market possibilities in foreign countries. Marketing specialists have also accompanied industry survey teams to determine the possibilities of recombined milk and dairy products operations utilizing United States nonfat and anhydrous milk fat. As a result of such activity, the United States dairy industry has shown an active interest in the establishment of such commercial operations.

With industry cooperators, the Division has participated in the United States agricultural exhibits at international trade fairs. At such fairs, during the past year, approximately 67,000 samples of cheddar cheese, 50,000 samples of consumer-sized packages of nonfat dry milk, 38,000 samples of recombined milk, and 42,000 samples of recombined ice cream utilizing United States nonfat dry milk and anhydrous milk fat were given to the public visiting the United States exhibits. At these fairs, dairy recombining equipment, dairy products, and poultry products have been displayed. At one fair, poultry parts were cooked at the exhibit and sold to fair visitors. By this means innumerable new potential consumers have been introduced to exportable United States poultry and dairy products.

Plans

This Division will continue its present activities to further expand present markets and develop new markets for United States poultry and poultry products, dairy cattle, and dairy products.

Cooperative FAS industry surveys are planned to determine the potential market for United States poultry products in the Middle and Far East. A promotional market development activity will begin in South America in an area where United States frozen ready-to-cook poultry has been recently introduced and where greatly expanded sales appear to be possible. Surveys will be conducted to determine the best possible means to expand the export market for United States poultry breeding stock, hatching eggs, and chicks. Market development projects, in cooperation with industry, are planned for Switzerland and Holland.

Assistance will continue to be given to United States commercial dairy interests in the establishment of overseas recombining operations. The market for recombined milk and ice cream in Thailand will be expanded through continued market development work.

Information obtained during overseas surveys will be made available to industry and assistance given to industry in adapting United States dairy and poultry products to the overseas consumers' needs and desires.

FATS, OILS, AND OILSEEDS

World situation.—World production of fats and oils in 1958 is likely to be about the same as the record 30.6 million short tons produced in 1957. Little change in edible vegetable, palm, and marine oils is expected. Linseed oil will be down somewhat but more animal fats may be produced.

Increased supplies of peanut and soybean oils in 1958 produced from the bumper 1957 peanut crops in French West Africa, Nigeria, and India, and from the record United States soybean crop will be offset by reduced output of United States cottonseed oil and sharp declines in sunflower seed production in the Soviet Union and Argentina. Reduced linseed oil reflects smaller crops in Canada and the United States. (Vegetable oil production in a given year comes mainly from oil-bearing crops grown in the preceding year.)

The United States situation.—United States supplies of food fats and oils in the 1957–58 marketing year will be about the same as last year's record level. As in most postwar years, supplies will be well in excess of domestic use and large quantities will be available for export. Contrary to the usual situation, the United States has no 1957 crop flaxseed available for export as the crop was drastically reduced by disease and heat damage.

Strong anti-inflationary measures have been taken in many countries in Western Europe and consumer incomes in this area may not expand as rapidly in 1958 as in most years. Consequently, United States exports of edible oils and oilseeds in total are not likely to rise from last year's record level although they will again be high. Exports of soybeans in 1957–58 are expected to rise to a new high but exports of edible oils will be moderately below last year's record level. Less oilseed meals, as such, also will be shipped abroad. However, the meal equivalent of soybean exports should continue to increase. Shipments of edible oils under Public Law 480 programs will again be equal to about half the total oil exported. Except for some soybeans shipped under ICA programs, soybean exports represent straight commercial transactions for dollars.

Short-term outlook.—Favorable for United States soybeans and edible oils because of limited foreign supplies and good demand. In addition, Public Law 480 programs are facilitating the movement of edible oils.

Long-term outlook.—Excellent for edible oils and oilseeds. Foreign demand is likely to rise faster than foreign production unless United States export prices rise to a point that would encourage foreign producers to expand output at a quicker rate than now expected.

Accomplishments.—In addition to the usual publications, an expanded circular on world trade and production of fats, oils, and oilseeds was issued. It is probably the most up-to-date and most nearly complete of its type. There was considerable activity relating to the restriction of tung oil imports by the United States and quarterly tung oil reports to the White House have been resumed. Section 22 import quotas have been put into effect during the past year. Competition studies were made of potential exports of oilseeds and oilseed products from Canada, India, and Thailand. The Thailand report is now being processed and the others should be out by next summer. A continuing review of the outlook for United States exports is maintained.

This Division working in close cooperation with soybean growers and processors has expanded market development projects in Japan, Italy, and Spain under section 104 (a), Public Law 480. Promotion activities are under way in these countries to acquaint consumers and processors with United States soybeans and soybean products. The use of United States soybeans in Japanese food products has been studied and methods have been suggested for improving the adaptability of our soybeans for direct food uses. Problems with regard to the quality of United States soybeans shipped to Japan have been partly overcome. Technical advice and assistance have been provided Spanish processors and other trade interests to enable them to more readily use our oils and proteins. Surveys indicate the possibility of also developing projects in some northern European countries.

An expanding market for American soybeans and soybean meal is likely in northern Europe because of an increasing market for high protein concentrates, particularly oilcakes and meals. This is the conclusion of a special study made under section 104 (a).

Participation in international trade fair exhibits has aided in the development of foreign markets for United States soybeans, fats, oils, and protein concentrates. Such fairs were held in Japan, Germany, Greece, Italy, and Spain.

Market surveys to determine opportunities for sales of United States oilseeds and oilseed products were undertaken in the Mediterranean countries, northern Europe, and South America. Surveys of this nature will be continued during the balance of the current crop year in northern Europe, the Mediterranean olive-producing countries, and southeastern Asia.

Plans.—The continuation of the market development operations in Asia is important to the continued expansion of our soybean market, particularly in Japan. Continued efforts will be made to show progress in market development activities and operations in Europe will be improved and strengthened. Increases in dollar sales will be emphasized in major consuming areas. Present market development programs will be expanded and cooperation with foreign trade fairs will be continued and expanded in some areas. Competition studies of potential exports of oilseeds and oils from West Africa and copra and coconut oil from the Philippines will be undertaken in the coming fiscal year. These areas are major exporters of these commodities. Export prospects for United States oilseeds and oilseed products will be kept under constant review. Commodity analyses and country analyses will be made and published in various FAS publications.

SOYBEANS

The United States and Communist China produce and export most of the world's soybeans. United States exports in the 1957–58 marketing year are expected to approximate 90 million bushels compared to last season's record of 85 million bushels. Foreign demand for our soybeans is based about as much on the protein they contain as on the oil. In Japan, our leading customer, soybeans are used principally for making food products and provide an essential part of the protein in the Japanese diet. European demand for protein feed has increased sharply in recent years as rising consumer incomes have led to a greater demand for meat. United States soybeans are in a strong competitive position because they have nearly always been competitively priced and because many other exporting countries restrict exports of oilseeds in favor of exports of oil and meal while European countries have a large crushing capacity and prefer the raw material.

FLAXSEED AND LINSEED OIL

The United States, Canada, and Argentina are the major world exporters of flaxseed and linseed oil, with most of the shipments going to west Europe. In most of the recent years world prices have been below United States support levels for flaxseed. United States exports have consisted mainly of CCC stocks that were acquired in price-support operations and sold at competitive world prices. In the long run, the United States, which normally produces much more flaxseed than can be used at home, faces stiff competition from Canada and Argentina. Assuming United States price supports are at the levels of recent years, the United States probably will be able to export at domestic price levels only in those years when foreign exportable supplies are considerably reduced by poor yields.

PEANUTS

Unlike the United States where peanuts are produced for food and farm uses, peanuts are grown in most other countries primarily for crushing into oil and meal. Peanut price-support levels in the United States are about twice the value of peanuts for crushing. This fact plus the production quotas in effect in the United States result in very limited peanut exports. Such exports are largely from CCC stocks, sold at reduced prices on a competitive basis. Foreign peanut oil competes in importing countries with United States cottonseed and soybean oils. Peanut oil is the leading food oil exported by other countries and production is trending upward. Nigeria, French West Africa, and Communist China export most of the world's supply.

TREE NUTS

World situation.—During 1956–57, world supplies of tree nuts declined 10 percent from the previous season's low levels. For a second consecutive year, the Mediterranean almond crop was short. Opening prices for almonds were high, declining to less than half starting prices as the season advanced. United States exports of almonds during 1956–57 set a record of 7,596 tons. World filbert production in 1957 was 5 percent below the 1950–54 average and 40 per-

cent under the record Turkish-dominated 1956 harvest. Efforts to stabilize prices for Turkey's unprecedented large 1956 filbert crop during 1956–57 failed with end-of-season prices only 60 percent of opening. The world walnut situation was characterized by strong and stable prices.

United States situation.—At an estimated 174,000 tons, the 1957 United States tree nut-crop was 21 percent less than record 1956 production and about 9 percent below the 1946–55 average. A record carryover from the 1956 almond crop augmented the below-average production during 1957. Walnut production in the United States during 1957 was about 8 percent below average, and the 1957 pecan crop was 35 percent smaller than its predecessor and 19 percent less than average. Almond and filbert prices were less favorable in 1957, while pecan and walnut prices exceeded those of 1956.

Short-term outlook.—United States exports of almonds can look forward to added competition, since a large Mediterranean crop has been gathered and prices have declined. Old-crop filberts in the hands of Turkish exporters are priced well below new-crop stocks. The 1957 walnut packs of France and Italy, both below normal, should enable foreign walnut prices to continue strong with limited competition to United States walnut kernels during 1957–58.

Long-term outlook.—Supplies of foreign almonds are expected to be much greater, with the result that the high levels of exports during the past two seasons will not be maintained. Overall foreign nut production, including types such as cashews, pistachios, and Brazil nuts, is expected to increase. Rising standards of living in Europe and elsewhere, however, should produce greater demand and serve to support prices at relatively favorable levels.

Accomplishments.—The field work was completed for a competition report covering the cashew-nut industries of India and East Africa. This survey is scheduled to be published early in 1958. Foreign news of interest to the United States nut trade was regularly reported in publications issued by FAS.

Plans.—FAS will continue its scrutiny of foreign market conditions with respect to (*a*) recommending import quotas to prevent interference with marketing order and agreement programs in effect, and (*b*) developing programs for sales of tree nuts in foreign markets when supplies are greater than the normal domestic and foreign channels can absorb. FAS will also continue to publish spot news of foreign nut production and market conditions and to supplement its data on world production of tree nuts.

Vegetables

World situation.—Western European potato production is slightly below the large crop in 1956. Supplies may be below needs in the United Kingdom, but there are adequate stocks in nearby countries. Onion stocks are plentiful. Egypt is a large producer of spring onions and their trade with European countries should be improved over 1957.

United States situation.—Both potato and onion crops are slightly below 1956, but supplies are above usual requiremnts. Processed vegetable stocks are only slightly below the record of last year and prices are generally low. Winter vegetable crops in both Florida and Texas were severely damaged by frosts and floods. Supplies will be short for 6 to 8 weeks. This should help processed vegetables, but it is not expected to be of sufficient magnitude to bring stocks for several crops to a normal level.

Short-term outlook.—Canada takes a very large portion of United States exports of both fresh and processed vegetables. The trend of exports has shown a steady increase each year and should continue for a year or two. The acreage in winter vegetables in Mexico and Cuba is below that of last year, but there has been an increase in the high-yielding staked tomatoes. It is likely that there will be an increase in imports because of the unusually high price levels in United States markets.

Long-term outlook.—The Canadian Tariff Board has recommended an increase in the seasonal duty and the length of the seasonal period for most fresh vegetables. Also, they recommended an increase in the duty for most processed vegetables. If this action is taken, the volume of trade may be adversely affected.

Accomplishments.—FAS alerts growers and shippers to spot trade opportunities as they arise. United States seed potato growers sold some seed potatoes in South American countries last fall.

Plans.—A study of the Cuban vegetable industry has been completed and the Mexican report will be revised. It is planned to work with the vegetable industry to lessen the impact of the proposed duty increases in Canada.

Fresh Deciduous Fruits

World situation.—World production of deciduous fruits in 1957 was slightly above prewar totals despite substantial losses from adverse weather in Europe. European crops were down almost 20 percent from 1956.

United States situation.—Deciduous fruit crops in 1957 were generally larger than in 1956. The apple crop was up 17 percent with pears at about the same level as last year. Table grape production increased about 3 percent.

Short-term outlook.—Exports during the 1957–58 season will be larger than in 1956–57 because of the favorable demand situation. This is particularly true of exports to Western Europe with the short crops in that area.

Long-term outlook.—Foreign market demand for United States deciduous fruits is expected to show a downward trend because of the continual increase in production in both market and competitive areas. Improved quality of offerings from most competing areas will also contribute to this loss. Population increases in the major marketing areas will offset the increased production to some extent.

Accomplishments.—With smaller available indigenous supplies, restrictions on dollar trade have been largely removed in Europe this season, opening a larger market area to United States fruits. Previous liberalization actions have been maintained. Displays of United States fruits have been made at major foreign trade fairs with increased interest among importers resulting. Fresh pears valued at $625,000 were moved to the United Kingdom under Public Law 480.

Plans.—To continue work toward complete liberalization of dollar trade, keeping the United States industry fully informed on results; continue efforts of all types to increase dollar sales of United States fruits; and report fully to United States industry on conditions both as to markets in importing countries and production by competing exporters. A survey of Argentine and Chilean deciduous fruit industries will be undertaken.

Canned Deciduous Fruits

World situation.—About three-quarters of the entire world deciduous fruit pack is processed by United States canners. In the period since World War II, the United States, Australia, and Union of South Africa, major canned deciduous fruit-producing countries, have more than doubled their production. The relatively small canned deciduous fruit industries of Japan, the United Kingdom, Germany, Netherlands, and Argentina have also continued to expand.

United States situation.—The United States canned deciduous fruit pack for 1957 declined 6 percent, or about 4 million cases, from the record volume of more than 71 million cases produced during 1956. Prices for the principal canned fruit items customarily exported opened at high levels in 1957, but later sagged when export movement slackened.

Short-term outlook.—The United Kingdom looks forward to imports of canned deciduous fruits amounting to $4 million in 1958 under Public Law 480. This is to be compared with imports of canned fruits aggregating $5.7 million during 1957 under section 402 of Public Law 665. Exports to continental Europe are expected to continue at increasing levels.

Long-term outlook.—It has been anticipated that from 1 to 3 million cases of United States canned deciduous fruits annually, principally peaches, pears, apricots, and fruit cocktail, will be exported to the United Kingdom and continental Europe in the future. Exports to the United Kingdom, however, are uncertain since much depends upon the United Kingdom's ability to finance future import programs. Small, but steady, increases in the volume of United States canned fruit exports are taking place with Canada, and Central and South American countries.

Accomplishments.—The canned fruit industry in 1957 continued to press its program designed to regain and develop foreign markets. Market development activities of FAS have been directed toward encouraging greater imports from the United States into the United Kingdom, major offshore market for United States fruit exports since World War II, and seeking greater liberalization of trade restrictions in other European countries. The fieldwork for the survey of the canned deciduous fruit industries of Australia and the Union of South Africa, important competitors of the United States, was also completed. A brochure, American Fruits for the World, in four languages, has been published and distributed to the world fruit trade.

Plans.—Market development activities in Europe aimed at increasing use of United States canned fruits, will be continued. A cooperative program with the cling peach advisory board for the purpose of promoting sales of canned peaches, fruit cocktail, pears, and apricots in liberalized European markets is also being formulated. Spot market news of world canned deciduous fruit markets and crops will be continued in FAS publications. Findings obtained from the Australian and South African canned fruit industries survey will also be published.

Citrus Fruits

World situation.—World production of citrus fruits is increasing in all areas. (Small 1957–58 crops in the United States are short-term factors.) Mediterranean production is nearly double the prewar average and large acreage is yet to come into production. Extensive new plantings in South Africa, Brazil, and Argentina are increasing competing summer citrus supplies. Demand for citrus and citrus products is increasing in nearly every world market area except the United Kingdom.

United States situation.—Reduction of orange and grapefruit supplies by frost is temporary. Production of oranges and tangerines is increasing rapidly as new Florida plantings come into bearing. Returns to orange growers have been fairly satisfactory. Grapefruit production is increasing as Texas returns to production. Returns to winter grapefruit growers have been only fair, and marketing difficulties are expected in the future. Lemon production is increasing in California. Marketing difficulties are being experienced as increasing quantities of production are sold as juice, placing our industry in competition with cheap foreign supplies. In 1956 the United States produced 45 percent of the world citrus. We exported 15 percent of production—7.3 percent to Canada and 6.6 percent to Western Europe.

Short-term outlook.—The orange export outlook to Europe in 1957–58 is less favorable because of small United States crops and larger production in all competing areas. Exports of lemons to Europe are more favorable until June and less favorable in the summer, because of small winter lemon and large summer lemon crops in the Mediterranean. Prospects for orange and lemon products exports to Europe are favorable.

Long-term outlook.—Increased competition in fresh fruit and products may be expected from foreign citrus producing areas. Surplus foreign citrus production is possible by 1960–61. In world markets, attempts at self-sufficiency, political activities of domestic fruit producers, and common markets may increase export difficulties. Most favorable marketing outlook is for lemons, summer oranges, and canned juices.

Accomplishments.—United States citrus trade is kept advised of the competitive situation, market trends, and prices by routine reports and special studies. Sales of summer citrus fruits to the United Kingdom and Ireland in 1957 were made under a Public Law 480 program. Lemons and canned grapefruit segments will be sold this season to the United Kingdom with Public Law 480 funds. A report has been published on the competition to be expected from southern Africa. Studies have been made of the citrus industries of Chile, Argentina, and Brazil. Reports will be published in 1958. A color booklet, American Fruits for the World, has been circulated to European importers. A market development project was undertaken in Western Germany in cooperation with the Florida citrus industry. Negotiations for increased market liberalization have been undertaken. Citrus and citrus products have been displayed at several foreign trade fairs. Samples of citrus juice have been dispensed.

Plans.—A study of Mexico and European markets will be undertaken. Increased use of trade fair promotions is planned. Market development projects with Public Law 480 funds will be undertaken.

Dried Fruits

World situation.—World dried fruit production declined 10 percent in 1957 from the 1956 volume and was also well below the pack of prewar years. Large supplies of foreign raisins filled the foreign market vacuum created by the smaller pack of United States raisins and heavier demand in the United States domestic market. Even though foreign raisin tonnage dropped from 1956 levels, the world pack still exceeded the average production for the 1950-54 period. The 1956-57 market season was featured by the presence of a large United States prune crop, large United States prune exports, and small foreign exports. Yugo-

slavia, principal competitor of United States in exporting prunes, was reduced to a minor role through crop failure. Only Chile had significant quantities of prunes for export, and these were sold at competitive prices.

United States situation.—The total United States 1957 pack of dried fruit was 13 percent smaller than in the preceding season. At 168,000 tons, United States raisin output in 1957 was 16 percent smaller than in 1956 and 27 percent under the average production for 1946–55. The dried prune pack for 1957 amounted to 171,000 tons or 13 percent less than the volume for the preceding season although large carry-in stocks resulted in heavy available supplies. Dried figs packed in United States were also down about 8 percent from the previous year and 22 percent less than the average for 1946–55.

Short-term outlook.—Sharp reductions in world packs of both raisins and prunes are indicated for the coming season while supplies of other dried fruits are expected to remain unchanged. United States exports of raisins during 1957–58 will be reduced because of low supplies and high prices. Raisin exports by major foreign producers are expected to be slightly below the 200,000 tons exported in 1956–57. United States has ample stocks of prunes of excellent quality and desirable sizes; however, 1957–58 exports have been running below those of last year.

Long-term outlook.—The long-term outlook remains unchanged. Strong demand in consuming countries and Government support measures should guarantee a firm international raisin market. Declining per capita demand for dried tree fruits both in United States and abroad is not encouraging for those fruits. Rising living standards, bringing with them a wider selection of food products and more varied eating habits should, however, become an offsetting factor.

Accomplishments.—Dried fruits have been exported to Austria, Finland, Burma, and Ireland under Public Law 480. This season, the United Kingdom, Finland, and Israel will import dried prunes under Public Law 480. Pressure has been maintained to relax foreign government restrictions against the import of United States dried fruits. News of developments in foreign production and markets has been promptly reported to the United States trade through FAS publications. Market development projects in Europe have been undertaken in cooperation with the raisin and dried prune industries. A survey of the competitive position of the Italian table olive industry was published.

Competition studies of the Portuguese fig paste industry as well as dried fruit industries of Greece and Turkey are currently underway. The surveys of the Greek and Israeli table olive industries are also scheduled for publication. FAS will continue to scrutinize foreign production and competition in dried fruits in order to maintain and develop outlets for dried fruits and to recommend import quotas whenever it becomes apparent that the effectiveness of United States marketing agreement and order programs is being impaired. Additional market development projects are contemplated.

United States and World Wheat Situation

World situation

The 1957 world wheat crop totaled 7.6 billion bushels, about 3 percent less than the record outturn in 1956. Reductions, especially in North America, the Soviet Union, and Australia, were only partly offset by substantial increases in the wheat crops of Europe and Asia. Significantly, the traditionally ranking exporters—Canada, the United States, Argentina, and Australia—all show sizable reductions, while France, a net exporter for only a few years, showed a sharp gain over the small harvest last year. The high level of the French crop will put that country among the first four exporters this season. Other exporters having larger crops this season include Turkey and Uruguay.

Near-record wheat stocks in the "big four" make reductions in the 1957 harvesting of these countries less significant than they would be otherwise. Stocks on July 1, 1957, were estimated at 1,945 million bushels in the 4 countries, only slightly below the record stocks of 1,966 million bushels, a year earlier. World trade since World War II has averaged about 962 million bushels annually. World import requirements for wheat in 1957–58 are less than the record level in 1956–57 of 1,282 million bushels, mainly because of good crops in Europe and Asia.

United States situation

Record exports in 1956–57 resulted in a substantial reduction in carryover stocks on June 30, 1957. In 1957–58, a further reduction in stocks is expected although exports will be below the previous year.

Outlook

Continued reduction in United States stocks of wheat will require increased efforts to maximize exports in the next several years. Barring adverse weather conditions, world production of wheat will continue near present levels and competition among exporters will increase. United States programs to assist underdeveloped countries through sales of wheat for foreign currencies have been an important factor in increasing United States exports in the last several years. The continuation of these programs would assure movement of United States wheat to these countries. Market development projects in many countries offer additional means of increasing demand for United States wheat in the years ahead and will also be a factor in maintaining a satisfactory level of exports.

Accomplishments in 1956–57

Wheat and flour exports.—Combined exports of wheat and flour from the United States reached an alltime record of 549 million bushels in 1956–57 (July-June) compared with 346 million of 1955–56, an increase of about 30 percent. Wheat in the form of grain accounted for 475 million bushels of the 1956–57 total, and flour for 74 million bushels. Compared with the preceding year, exports as grain showed a gain of 61 percent while flour exports increased by 46 percent. Especially noteworthy were greatly increased exports of wheat to India, France, Germany, the United Kingdom, Pakistan, and Turkey, and of flour to many markets in the Far East, Africa, and Latin America.

Reasons for these gains follow: Reduction and inferior milling quality of Europe's 1956 crop; disappearance of France as a significant exporter; desire of many importing countries to build up reserves; continued high level of industrial activity and improved consumer purchasing power in many importing countries; an increase in effective demand in less developed regions of the Far East, Latin America, and Africa; trade promotional activities of United States grain marketing specialists; and opportunities for exporting large quantities of wheat and flour under various Government programs, especially sales for foreign currencies.

United States wheat and flour exports are expected to amount to only 400 million bushels grain equivalent in 1957–58 compared with 549 million a year ago. Exports during the first half (January-December) of the season are estimated at 196 million bushels against 248 million in the same period last season. Large increases in exports to India, Poland, and Brazil were insufficient to offset reductions in exports to Free Europe. Reasons for the reduced exports this year include an alltime record crop in Europe, continued controls by deficit countries over imports to conserve foreign exchange and assure local market outlets for wheat produced at home under high-support prices; continued large export availabilities in Canada; return of France as an important wheat exporter; and increased export supplies in the Middle East, and the Danube Basin.

Market development.—In spite of a lack of grain marketing specialists, the promotional activities of the foreign marketing branch in 1957 were carried on without interruption. These activities included displays in trade fairs; the programs under market development projects with foreign currencies; and assisting in the agreements under Public Law 480. Groups of millers and government officials were brought to the United States from Greece, Italy, Japan, and Korea to promote a better understanding of our production, marketing, and laboratories. Similarly, groups of American farmers and tradesmen were taken to Europe and South America to give them some contact with our market outlets. Very favorable reactions were received from these promotional activities in the foreign countries as well as from our cooperators.

Foreign competition.—Studies were made and reports published during 1957 covering trends in acreage, yield, and production of wheat in foreign countries. These were used also for purposes of determining market potentialities in deficit areas and export availabilities in competing surplus areas and in the negotiation of Public Law 480 sales. Attention was devoted to the methods used by competing countries to expedite the movement of wheat and flour into export channels and to governmental policies and programs in deficit countries affecting the competitive status of United States wheat and flour in those markets.

These investigations revealed that virtually all wheat importing and exporting countries of the world operate price-support systems for homegrown wheat, and that the successful operation of such systems requires (*a*) the application of import controls in deficit producing countries to regulate competition from foreign producers and (*b*) the operation of subsidies in surplus producing countries to absorb losses on exports. They also revealed that such policies tend to maintain production at much higher levels than would otherwise be the case, thus perpetuating a disequilibrium between world supply and demand.

A report was also prepared covering the annual movement of wheat and rye into channels of international trade by countries of origin and destination during the 5-year period ending with 1955–56 with comparisons for earlier years running back to 1909–13. It revealed that competition for export outlets is keener today than at any time in history; that between 15 and 17 percent of the world's annual wheat production moves into export channels; and that there is hardly a country in the world where production and consumption are so nicely balanced that it does not either have to import or to export, and that the United States share of the world's wheat export trade has increased from less than 9 percent annually in 1935–39 to more than a third.

The results of the investigation in these fields were disseminated to the Nation's wheat producing and trading interests through the usual Departmental mediums of news dissemination, but principally in foreign crops and markets and foreign agriculture circulars. In addition, the findings were used for administrative purposes, especially in connection with the development of Public Law 480 programs.

Plans for 1958

Market development.—With the services of additional grain marketing specialists, promotional activities abroad in 1958 will be expanded to bring about new foreign market development projects with the cooperators, expanded activities in trade fairs, and existing projects. In addition, price and market information will continue to be supplied to the attachés and to trade and producer groups.

Foreign competition.—Included among the studies to be made and/or reports to be published in the field of foreign competition for wheat and flour during 1958 are the following: (1) surveys of trends in acreage yields and production in the various deficit and surplus producing countries; (2) determination of their import requirements and export availabilities; (3) measuring or estimating the levels of competition which United States wheat and flour is meeting in world markets; (4) analyzing wheat price supports and implementing measures in foreign countries and their impact on the competitive status of United States wheat and flour abroad; (5) studies of the policies and programs of foreign competitors for disposal of their wheat surpluses; (6) analyses of agreements between foreign importing and competing exporting countries with a view to determining how much of the world's wheat trade is tied up by such agreements; (7) studies of relationships between prices paid for homegrown wheat in foreign countries compared with CIF prices of wheat and flour from the United States and other competing countries; and (8) preparation and issuance of interpretative reports covering significant developments in foreign countries that are likely to affect the competitive status of United States wheat and flour in world markets.

United States and World Feed Grain Situation

World situation

World feed grain production continued at a high level in 1957 though it was slightly below the record production in 1956. The reduction was in barley and oats, with corn at a new high, on the basis of preliminary estimates. Production of the 3 grains totaled 326 million short tons compared with the record total of 332 million in 1956 and the 1950–54 average of 289 million.

Stocks in the 4 principal exporting countries were 76 million short tons on July 1, 1957. This is a new high, exceeding the previous record of a year earlier by 7 million tons. The increase was in barley and corn, especially corn which was about 200 million bushels above the previous high of July 1, 1956.

The world's 1957–58 imports of feed grains are expected to equal if not exceed last year's record of 17 million long tons. But competition for supplying those requirements will be keener than a year ago because of continued large export supplies of oats and barley in Canada, larger export supplies of barley in the Middle East, and of corn in Argentina, South Africa, and the Danube Basin.

United States situation

Total feed grain and concentrate supplies increased to a new record level of 210 million short tons. Above average yields of the four feed grains and record carrying stocks resulted in this increase in supplies. Ending stocks in 1957–58 are again expected to be at new record levels as the big supply is much more than adequate to meet our total domestic and export requirements.

Outlook

The United States will have large export availabilities of feed grains for the next several years, barring unforeseen developments. World demand for feed grains has been increasing since World War II and this trend is expected to continue. The ability of the United States to share in this larger demand will depend primarily on competitive pricing and to a smaller degree, the means by which assistance can be given to underdeveloped countries. The opportunities to develop markets for feed grains are many and development of these markets will also be a factor in increasing the United States share of world trade in feed grains.

Accomplishments in 1956–57

Feed grain exports.—United States exports of feed grains (corn, oats, barley, and grain sorghums) totaled 6.3 million long tons in 1956–57, a reduction of more than 16 percent from the alltime record of 7.6 million tons exported in 1955–56. Compared with 1955–56, corn exports increased by 24 percent, but those of the other feed grains declined as follows: oats by 6 percent, barley by 40 percent, and sorghums by 60 percent.

The principal factors accounting for the reduced United States sales to foreign countries during 1956–57 were a large barley export surplus in France; large European supplies of poor quality wheat for feed use; and generally increased plantings and production of feed grains in Europe to replace winterkilled wheat. Despite these factors, the Nation's feed grain exports last year were higher than in any other year in our history, except for the record exports in 1955–56.

United States feed grain exports in 1957–58 are expected to be close to the 1955–56 record of 7.6 million long tons. By individual grains, exports during 1957–58, with comparisons for 1956–57 in parentheses, are tentatively estimated as follows, in millions of bushels: corn, 180 (154); oats, 26 (27); barley, 65 (62); and grain sorghums, 60 (29).

Reasons for the anticipated increase include the following: continued upward trends in livestock numbers in foreign countries and in amounts fed per animal unit; smaller oats and barley crops in some of the competing exporting countries; reduction in the corn, oats, and barley crops of west European importing countries; relatively small supplies of low quality wheat in Europe for feed use this year; and continued opportunities for exporting substantial quantities of feed grains under various Government programs.

United States exporters, however, will meet with keen competition from exporters in other countries during 1957–58. The reasons are larger export availabilities of corn in such surplus producing areas as South Africa and the Danube Basin and also in Argentina after that country's 1958 crop is harvested next April; continued large exportable supplies of barley in Canada; and substantial export supplies of barley this year in Iraq, Syria, and Turkey.

Market development.—The grain marketing specialist, due to administrative duties, was unable to continue the program of market surveys for the feed grains which was inaugurated in 1954. However, price and other market information were supplied to the attachés and displays were arranged for several trade fairs. One foreign market development project was initiated in Colombia.

Foreign competition.—Studies were continued during 1956–57 of levels and trends in acreage, yield, and production of feed grains in foreign countries and foreign governmental policies affecting production and exports for purposes of determining market potentialities in deficit areas and export availabilities in competing surplus areas.

These revealed (1) that feed grain production outside of the United States is increasing, but that the increase is not keeping pace with expanding needs resulting from increasing livestock numbers; (2) that the effective demand for United States feed grain exports during 1956–57 continued at very high levels, although our exports were some 16 percent under the alltime record of 7.6 million long tons exported in 1955–56; (3) that the United States provided approximately 39 percent of the world's coarse exports in 1956–57; (4) that United States feed grain exports in 1957–58 will approach and perhaps even exceed the alltime record

level of 1955–56; and (5) that while there will be aggressive competition for growing world market, the United States should be able to hold its share of the total as long as its prices are competitive.

A survey was completed of the corn industry in the Union of South Africa. It covers all phases of the country's corn industry, especially developments under governmental encouragement through price supports and other incentives. It reveals the extent to which the industry has been expanded for the export market, and discusses the country's potentialities in that respect in the years ahead.

A report was prepared and published showing the annual movement of feed grains into export channels by countries of origin and destination during the 5-year period ending with 1955–56 with comparisons for earlier years running back to 1909–13. It reveals that while competition for export outlets is much keener today than at any time in history, the United States share in world feed grain exports has been increasing rapidly, amounting at present to 50 percent of the total compared with 36 percent in 1946–50 and 8.5 percent in 1935–39.

The results of these investigations were disseminated to the Nation's feed grain producing and trading interests through the usual departmental media of news dissemination, but primarily in foreign crops and markets and foreign agriculture circulars. In addition, the findings were used for administrative purposes, especially in connection with the development of Public Law 480 programs.

Plans for 1958

Market development.—As the services of grain marketing specialists become available, foreign market surveys and promotional work will be greatly expanded to discover and develop opportunities to increase United States feed grain exports. The regular price and supply reports will be furnished the attachés and United States producer and trade groups.

Foreign competition.—Included among the studies to be made and published in the field of foreign competition for feed grains during 1958 are the following: (1) surveys of trends in acreage, yields and production in the deficit and surplus producing areas of the world; (2) determination of world import requirements and export availabilities, and actual levels of competition which United States exporters are meeting or are likely to meet in world markets; (3) analysis of feed grain support prices and implementing measures in operation in individual importing and exporting countries, and the impact of such measures on the competitive status of United States feed grains in world markets; (4) analysis of bilateral agreements between foreign feed grain importing and exporting countries; (5) studies of relationships between prices paid for home-grown feed grains in foreign countries and CIF prices of feed grains from the United States and other competing sources; (6) determination of the extent to which available production requisites, current techniques, prevailing costs, and governmental aids may result in expansion in competitive production and market supplies in foreign countries; and (7) preparation and issuance of interpretative reports covering significant developments in foreign countries that are likely to affect the competitive status of United States feed grains in world markets.

UNITED STATES AND WORLD RICE SITUATION

World situation

The overall world rice situation as far as exporting countries are concerned is probably the best in the past decade. The world acreage seeded to rice in 1957–58 was the highest on record, although production fell slightly below that of the previous year because of unfavorable growing conditions in certain areas. The stable level of prices in 1956 and 1957, the increases in population, and slightly improved economic conditions tended to increase consumption. Notwithstanding the high world production of the past 2 years, surplus stocks of rice have been almost completely liquidated. Increased demands for rice imports came from Pakistan, India, and Indonesia because of a decrease in production though this was offset in part by high levels of production in Japan materially cutting down import requirements.

Despite the improved world rice situation, however, importing countries and exporters with high internal prices may not be able to benefit. Supplies of rice available for export in 1958 will be lower than for either of the 2 preceding years. Deficit areas in southeast Asia will continue to draw on supplies outside of the area and may take larger quantities than last year. The extent

to which such deficits can be met depends on prices, availability of foreign exchange and/or the opportunity to draw supplies under various international programs. For the first half of 1958 it is unlikely that world prices will rise sufficiently to materially increase the movement of United States rice into export channels at present domestic prices. The latter part of the year may see some increase in rice going to Europe and Western Hemisphere locations as a result of higher prices but such increases will not be large enough to take a very large part of United States production.

United States situation

The carryover stocks of rice at the beginning of the 1957–58 (August) rice marketing year are estimated at 20.1 million bags (rough rice basis). This was a sharp reduction (34 percent) from those of a year earlier although four times the average annual carryover stocks during the period 1946–55. The past year saw record exports of 37.8 million bags (rough rice basis) of which about 74 percent moved under Government programs from CCC stocks and 26 percent under commercial dollar sales. The tremendous volume of exports which was double those of the preceding year was brought about by the fact that relatively large shipments against the 1955–56 aid programs were not made until after the opening the the 1956–57 marketing year. Last year United States rice production fell to 43.2 million bags of rough rice. This was 13 percent lower than for that of a year earlier. This reduction came about by the diversion of 242,000 acres to the acreage reserve of the soil-bank program. Yields are last reported at 3,218 pounds per acre or 23½ percent over national averages for the years 1946–55. Consumption of rice within the continental United States now stands at 5.9 pounds per capita or an increase of some 11 percent over the past 3 years. This increase is due to extensive promotional work by the entire rice industry and through distribution of Government-owned rice to schools and institutions. Exports of rice for dollars will remain about the same as for the last 2 years. A further reduction in closing stocks as of July 31, 1958, is estimated to bring them to about 17.3 million bags in terms of rough rice or still about 3 times the average level of stocks for 1946–55.

Short-term outlook

Despite reduced acreages and an improved world market supplywise an appreciable amount of the United States production cannot be marketed under commercial dollar transactions and will revert to Government stocks and require marketing under some form of a subsidized export program because of the relation of United States price levels to world export price. Where the competitive position of United States rice is not far out of line, the lack of foreign exchange on the part of deficit rice countries may be the limiting factor.

Long-term outlook

The long-term outlook for the United States continues to be favored by trends in world consumption, production, human population and levels of per capita incomes. For the next decade the demand for United States rice will depend upon the relationship of rice prices to those of other cereals throughout the world as contrasted to the question of levels of supply which are more important in the short-term outlook. The extent to which United States commercial exports can be expanded depends on domestic prices, the extension of efforts on the part of the rice industry to market their product and upon world price levels.

Accomplishments in 1596–1957

Market development.—For the immediate effect the liquidation of United States surpluses resulting from the 1953, 1954 and 1955 crop through various governmental programs has been the major accomplishment. In the field of market development, a rice industry survey of production, consumption and trade has been completed for the Asian area and similar ones are in progress for Latin America and the European area. These surveys will indicate the trends which may be expected to develop in the next few years and will provide a pattern for a determination of the potential markets where United States rice might be promoted to the best advantage.

Foreign competition.—A project to determine the comparability of United States rice varieties and grade with varieties and grades of foreign rice moving into international trade is underway with 22 countries. The second year this will be expanded to include 48 rice areas. This will give a ready measurement of the competitive position of United States rice with that of competing exports on the basis of physical and quality characteristics.

21494—58—pt. 2——39

Seeds

Exports of grass and legume seeds during July-November amounted to about 14.6 million pounds compared with 12.4 million pounds during the same period in 1956 and 6.2 million in 1955. Exports of grass and legume seeds thus far this season (1957–58) are at a near record level, but it is doubtful if they will reach the 43.0 million pounds of last year. Moderate European seed crops account for much of the volume going to that area. However, low price levels have tended to encourage purchases. Moderate to poor harvests in Canada and the continued interest in the improvement of forage resources in South America favor heavy shipments to those two areas.

Accomplishments

A seed-marketing specialist made an on-the-spot survey during 1957 of market potentialities for United States seeds in a number of the countries of the Far East. The information obtained as a result of this survey was distributed to interested groups.

Plans for calendar 1958

Additional surveys will be made during 1958 in Europe to further strengthen and encourage the seed trade in that area. A program of market development projects is being developed and it is expected that several of these will be activated during the year. Contracts have been negotiated with the Pacific Export Seed Market Institute, Inc., and the Oregon Seed Council, as cooperators, to help with the planning and to supervise the promotional work for grass, legume, and other seeds.

Beef

World situation.—World beef production continues to increase. Production in 1956 was 5 percent greater than a year earlier and 36 percent above the 1946–50 average. During 1957 production was unusually large in Canada, the United States, France, Western Germany, the United Kingdom, Argentina, Australia and New Zealand. In recent years the larger beef supplies from the principal surplus producing countries have moved into consumption at relatively high prices. World demand for beef has continued strong.

United States situation.—Beef and veal production reached a low point in 1951 as cattle numbers on farms began to increase sharply. Per capita consumption averaged only 62.7 pounds during the year. Each year beginning with 1952 production increased until in 1956 the record high output of 16.1 billion pounds was achieved, an increase of 63 percent in a 5-year period. Consumption in 1956 averaged a record 94.5 pounds per person.

The average annual price received by farmers for cattle dropped 45 percent from 1951 to 1953 and declined another 9 percent from 1953 to 1956, their low point. Currently prices are about one-third above a year earlier.

Short-term outlook.—Beef and veal production in 1957 was only slightly below the record total of 1956. Production will continue large in 1958 but probably will fall below that of each of the previous 2 years. Cattle numbers on farms turned downward in 1956 and a further reduction probably occurred in 1957.

Cattle and beef prices rose considerably in 1957 and prices are likely to continue generally favorable to producers in 1958. The increase in prices of cattle and beef resulted in a sharp rise in cattle imports from both Mexico and Canada, and low-grade frozen boneless beef chiefly from New Zealand. As usual, most of the cattle imports were animals for feeding. Imports of both cattle and beef had been very small in 1956. United States exports of beef are expected to decline substantially now that Public Law 480 shipments have been completed.

Long-term outlook.—United States beef production probably will continue large for several years but may decline cyclically each year until the early 1960's. Assuming domestic demand continues strong, imports of cattle and beef will tend to rise; exports will tend to be small; and domestic cattle producers may expect generally favorable prices.

Pork

World situation.—World pork production in 1958 is expected to be 4 percent greater than the high level of 1957. Production in Western Europe, which has shown a remarkable recovery since World War II, is expected to reach a new record high in 1958. With abundant feed supplies now on hand, Canada and the United States could easily produce a much larger number of hogs than at present.

Pork prices in the United Kingdom reached low levels in late 1957, reflecting

the large pork output in Europe. European pork prices are expected to remain low during 1958.

United States situation.—United States pork production in 1957 was equal to the average for the preceding 5 years. A moderate increase is expected in 1958. Hog prices are relatively favorable to hog producers and, despite some decline later in the year, prices are expected to remain relatively favorable during 1958.

Short-term outlook.—American hog producers can expect increased foreign competition and reduced foreign demand for pork during 1958. Larger imports from Canada are indicated. But larger imports of canned hams and shoulders from Denmark, the Netherlands, Poland, and West Germany are not likely with the increased United States pork production in prospect.

United States hog production has been held down by our price support programs and the marked increase in supplies of feed grains in CCC stocks.

Long-term outlook.—The United States can produce pork at lower prices than many countries because of cheap feed and general efficiency in farming. The level of production in the future will depend largely on the amount of feed grains produced. Any downward adjustment in the price-support levels for feed grains would increase United States pork production and place United States pork in a more competitive position in world markets.

The trend toward consumer preference for lean pork and a shift in demand away from fat cuts and variety meats is expected to continue. Thus prices of fat cuts and variety meats will probably continue relatively low. Efforts should be continued to expand and develop foreign markets for these products.

Wool

World situation.—World production of wool in 1957 is estimated at 4,965 million pounds, greasy basis, compared with 4,990 million pounds in 1956. On a clean basis, the 1957 output is approximately 2,860 million pounds, compared with 2,870 million in 1956. The chief reason for the first decline in a decade is the drought in Australia. The Australian clip is estimated at 1,463 million pounds this season, compared with 1,565 million pounds last season.

World consumption has continued to increase in 1957 but not as sharply as in 1956. World consumption in 1956 increased by 9 percent to 2,853 million pounds, clean basis. Consumption in 11 major consuming countries during the first 9 months of 1957 was 5 percent above the same period in 1956.

Exports from the Southern Hemisphere (Australia, New Zealand, Union of South Africa, Argentina, and Uruguay) increased very slightly during the 1956–57 season. A sharp rise in shipments from Australia and New Zealand offset a decline in exports from the other countries.

United States situation.—Domestic wool production in 1957 will be down slightly from the 272 million pounds produced in 1956. An upturn may occur in 1958, however, as sheep numbers appear to be on the increase and range conditions are best in several years. The average price paid to farmers in 1956 was 44.3 cents per pound, up slightly from 1955. Direct government payments to producers averaged 17.7 cents—enough to bring the average return to growers up to 62 cents per pound. This support level will be maintained through 1957 and 1958.

Domestic consumption through November was down 17 percent from a year ago. Higher wool prices and high interest rates during most of the year resulted in a reduction of inventories and increased competition from synthetics. Imports of wool have also been lower, but the removal of CCC stocks as a supply factor will probably result in larger imports in 1958.

Short-term outlook.—Wool prices at Dominion auctions at the end of December were down 25 to 30 percent from the peak in May. This was the sharpest decline since 1951 and was the result of economic difficulties in several important consuming countries. Lower prices should make wool attractive to buyers in 1958; however, much will depend on the general economic situation in the major consuming countries.

Long-term outlook.—The drought in Australia has apparently halted the rise in world production, at least temporarily. A prolonged drought could have a serious effect on production for several years. World consumption, also slackening off at the present time, should continue to increase in the long run with population increases and higher standards of living.

Tallow

World situation.—The upward trend in tallow and grease production continues with the increase in livestock and hog slaughter. World production in

1957 is estimated at 6.44 billion pounds, compared with 6.36 billion pounds in 1956. Although production in the United States, which accounts for approximately 50 percent of world tallow production, dropped slightly, this decline was more than offset by gains in other major producing countries such as Canada, Mexico, France, and Australia.

United States situation.—Production of tallow and greases in 1957 totaled about 3,000 million pounds, down about 125 million pounds from a year earlier. As of December 1, 1957, carryover stocks were about 90 million pounds below the previous year. Domestic disappearance in 1957 was a little larger than a year earlier but this about offset slightly smaller exports. Consumption of inedible tallow and greases in soap continued downward in 1957, but this was more than offset by a sharp rise in reported usage in animal feeds and a moderate rise in other industrial uses. These consumption trends are likely to continue in 1958. Tallow prices were relatively high toward the end of 1957 reflecting reduced supplies and increased demand.

Short-term outlook.—Tallow production in 1958 is expected to remain at about the same level (3 billion pounds) as 1957. Prices in 1958 will again depend on export demand, which is likely to be strong as little change is in prospect for domestic disappearance. A larger output of grease is likely due to the increased slaughter of hogs.

Long-term outlook.—Over the next 5 years production of tallow is expected to remain at approximately the same level while grease production increases slightly. The United States must continue to look for foreign markets as outlets for production in excess of domestic requirements.

Lard

World situation.—World production of lard and rendered pork fat (in terms of lard) in 1957 is estimated at approximately 9.1 billion pounds, about 1.5 percent more than was produced in 1956. The increase in lard production was due mainly to increased outturn in Western Europe where hog slaughter was up about 5 percent. Lard production in North America declined slightly over 5 percent in 1957 with both Canada and the United States producing less than the previous year. Production in nearly all other major producing countries, including Argentina, Brazil, and Australia, increased slightly in 1957. However, outturn in France and New Zealand was down somewhat along with the decline in hog slaughter. Exports of approximately 660 million pounds in 1957 were 12 percent under the 1956 total.

United States situation.—The United States produced 2.65 billion pounds of lard and rendered pork fat in 1957 which accounted for approximately 29 percent of the world outturn. Domestic disappearance in 1957 was slightly lower than in 1956; however, it is expected to increase slightly in 1958 with increased usage of lard in manufactured products offsetting a small decline in direct use.

Short-term outlook.—Lard output in 1958 is expected to increase about 5 percent, chiefly reflecting the small rise anticipated in hog slaughter. Total supply of lard may be only slightly larger than last year as carryover stocks were down sharply. Lard yields are likely to increase, as usually happens when hog slaughter rises, because of a tendency by the packers to trim more fat from pork cuts. Current prospects indicate that lard exports, which dropped about 17 percent in 1957, will continue to decline in 1958.

Long-term outlook.—Lard production in 1959 probably will increase following a rise in the 1958 hog production. Both the spring and fall pig crop for 1958 are expected to increase. Present indications are that lard production in 1959 will be up about 150 million pounds from 1958.

Lard is expected to continue as a surplus product for many years to come. Therefore, if prices within the industry are to be maintained, this surplus must be moved to foreign markets.

Tobacco Statement

1. *Recent accomplishments.*—(1) Fiscal year 1957 exports of unmanufactured tobacco, at 501 million pounds, export weight, were about 13 percent below those of the previous year's record high of 578 million. (2) The value of fiscal year 1957 exports, at $340 million, was only 11 percent below the fiscal 1956 value, reflecting higher prices paid for United States leaf. (3) Regular export sales for dollars in both fiscal 1956 and fiscal 1957 were above all previous years. (4) Close cooperation between FAS and other agencies of the Department dis-

couraged growing of undesirable varieties of flue cured, and the 1957 crop consisted almost entirely of traditional grades in demand for export, with good flavor, aroma, and body. (5) As a result of (4), total tobacco exports for the first 5 months of fiscal 1958 are placed at 293 million pounds—up 6 percent from the similar period of fiscal 1957. (6) Market development projects (sec. 104 (a) of Public Law 480) are moving along well in a number of countries. In Japan, for example, reports indicate that usings of United States leaf are increasing substantially, largely due to the project. (7) Due to efforts of the attaché in Pretoria, Union of South Africa, the duty-free entry of United States tobacco into that country has been continued in fiscal 1958, and is of great assistance to exporters of dark air-cured tobacco. (8) The Public Law 480 agreement with France, signed on December 27, includes about $2.5 million worth of tobacco, and will be of great assistance to move United States tobacco into the French market.

2. *Title I, Public Law 480.*—During the period July-December 1957, agreements were signed with 2 countries, providing for the sale of about 4.7 million pounds (value $2.7 million) of United States tobacco. Several more programs for tobacco are anticipated during the remainder of the fiscal year. From the inception of the Public Law 480 program, through December 1957, agreements were signed with 19 countries, providing for the sale of about 160 million pounds (value $114 million) of United States tobacco.

Actual shipments of tobacco under the Public Law 480 program from its beginning in 1954 through June 1957, totaled 133 million pounds, valued at $93 million. The record regular commercial sales for dollars in fiscal 1956 and the second-ranking dollar exports in fiscal 1957, however, indicate that the normal marketing requirements were well observed. They reflect the development of new markets and expansion of sales to a number of established markets. Regular dollar sales accounted for 85 percent of exports in fiscal 1956, and 90 percent in fiscal 1957. Exports of $33.4 million of tobacco under Public Law 480 in fiscal 1957, however, served markets which in the absence of the program might have taken little or no United States tobacco, and helped the United States to retain such markets.

Tobacco, unmanufactured: United States exports under specified programs and cash sales, 1949–56

[In millions]

Year beginning July 1	Foreign dollar sales	United States grants and aid programs	Foreign currency sales [1]	Total
1949	$86	$149	----------	$235
1950	142	132	----------	274
1951	271	56	----------	327
1952	265	20	----------	285
1953	274	----------	$27	301
1954	291	----------	15	306
1955 [2]	323	----------	57	380
1956 [2]	306	----------	34	340

[1] For 1953, all sales under sec. 550 of the Mutual Security Act; for 1954, includes about $4 million under title I of Public Law480, and about $11 million under sec. 550; for 1955, includes about $55.7 million under title I of Public Law 480, with the balance sec. 402 of Public Law 665; for 1956, about $33.4 million under title I of Public Law 480, with the balance sec. 402 of Public Law 665.

[2] Preliminary.

Examples of recent significant accomplishments under Public Law 480 are as follows: (1) Arrangements were made for financing the net cost of cut tobacco contained in cigarettes under the provisions of the Public Law 480 program with Iceland; (2) Several countries, including the United Kingdom, have been enabled to build up stocks of United States leaf to more normal levels; (3) Several countries, including Thailand, Japan, and Finland have been able to introduce new brands of cigarettes containing United States tobacco; (4) The usual import marketing requirements under the program were an important factor in increasing dollar sales during the past several years; (5) Japanese consumption of United States leaf has been substantially increased during the past year by the market development project undertaken for tobacco; larger purchases of United States tobacco are planned by the Japanese for the year beginning April 1958.

3. *Marketing and competition surveys* were undertaken in calendar 1957.

These included: (1) An on-the-spot survey of the tobacco marketing and competition possibilities in several South American couutries; (2) An on-the-spot study of the market prospects in 10 countries in Western Europe, and Poland; and (3) An on-the-spot survey of the Canadian tobacco industry primarily from the standpoint of competition.

4. *Trade development.*—Section 104 (a) projects have been undertaken, or are planned, for most of the countries that have purchased tobacco under title I of Public Law 480. These projects are carried on in cooperation with representatives of the United States tobacco trade. A contract was signed between FAS and the trade providing that the trade contribute at least $30,000 and FAS furnish at least $600,000 equivalent in local currencies to help develop new markets.

To date, 15 tobacco market development projects exclusive of trade fairs have been undertaken in 10 countries. Tobacco exhibits have been displayed at 7 international trade fairs.

A number of projects have already been completed. These include: (1) Visits to the United States of key officials of the tobacco trade from Finland, Austria, France, Thailand, Japan, and Korea; (2) a market study of the factors affecting demand for United States tobacco in Spain conducted by 2 agricultural economists from the University of Kentucky; (3) a consumer preference study conducted in Italy by a specialist from the University of Tennessee; (4) marketing survey in Burma conducted by a tobacco specialist from North Carolina State College.

Projects now underway include: (1) An intensive 2-year promotional campaign to increase sales of Japanese cigarettes containing United States leaf; (2) a pilot-plant project in Thailand to study storage and proper blending of tobacco. A promotion project is also underway in Thailand; (3) market analysis and promotion in France; (4) tobacco exhibits to be held at several international trade fairs.

5. *Publications.*—In calendar year 1957 a total of 336 news items were published in Foreign Crops and Markets, and 6 circulars were issued to the trade. The news items and circulars were prepared for the use by the tobacco trade, farm organizations, and others interested in staying abreast of latest foreign developments. A special report on foreign marketing was also issued. These publications are an important aid to the United States industry in directing its sales efforts toward the best marketing opportunities and are widely reprinted in both foreign and domestic trade journals. In 1957, domestic reprints totaled more than 800 and foreign about 400.

A bulletin on foreign consumer marketing and a report on the Canadian tobacco industry, mainly from the competition standpoint, will be published in a few weeks. Studies on oriental tobaccos in world production and trade, and a report on the price competition which United States tobaccos face in foreign markets, will soon be published.

6. *World tobacco situation.*—(*a*) Production: World tobacco production dropped in 1957, totaling 8.4 billion pounds, compared with 8.6 billion in 1956. United States production led the world-production downward trend. The biggest single decrease was a drop of more than 400 million pounds from 1956 to 1957 in the United States flue-cured crop. The United States continued as the world's largest producer in 1957. Light tobaccos (flue-cured, burley, and oriental, etc.), mainly used for cigarette manufacture here and abroad, have made the largest gains in recent years. These types, combined, accounted for 55 percent of the total world crop in 1957. Flue-cured continued as the biggest single type grown in the world, but the United States share in world output of flue-cured declined to 37 percent in 1957, compared with 47 percent in 1956, and an average of 61 percent in 1947–51. The expansion in foreign production of light types of tobaccos, which compete with United States leaf in world trade, has been substantial since the end of World War II, especially in such countries as the Federation of Rhodesia and Nyasaland, Canada, India, Greece, and Turkey as well as in a number of less-important growing areas.

(*b*) World trade: World tobacco exports (includes Soviet bloc tobacco) totaled about 1.6 billion pounds in 1957, about the same as in 1956. United States exports declined about 4 percent from the 510-million-pound (export weight) figure registered for 1956. The United States share in world trade has been declining gradually in recent years. For calendar year 1957, the United States share in world exports approximated 31 percent, compared with 32 percent in 1956, and an average of about 41 percent in 1947–51.

7. *Developments in the United States affecting exports.*—Price increases occurred in the 1957 crop of flue-cured. It was, however, a particularly good crop for export—generally having excellent flavor, body, and aroma. It is likely that

exports of flue-cured tobacco for the marketing year ending June 1958 will amount to around 450 million pounds (farm sales weight), compared with 465 million pounds for the past marketing season. This is despite a drop in production from 1,422 million pounds in 1956 to about 980 million in 1957. This reflects the virtual elimination of production in 1957 of undesirable varieties following the Department's price-support discount program for such varieties.

Prices for some traditional grades of burley were lower for the 1957 crop than for the previous season. This drop may permit some of the markets, that shifted to other sources of supply due to the high 1956 prices, to increase their purchases this year.

To help dispose of old stocks of dark tobaccos, the USDA in April 1956 announced that certain grower association stocks of such leaf would be offered for sale for export on a competitive bid basis. About 18 million pounds had been sold under this program as of June 1957. This program not only helps dispose of burdensome stocks of these tobaccos but also makes it possible for them to be sold in world markets that can afford to purchase tobacco only at a relatively low price.

8. *Trade barriers.*—Much of the world is not a free market for tobacco. There are economic and political alliances of countries which are major tobacco producing and importing areas. Many important tobacco markets continue to place emphasis on imports from countries which provide outlets for their manufactured products. As a result, this policy has been implemented by artificial barriers to United States leaf tobacco exports.

It is extremely difficult to obtain any significant relaxation of these restrictions. As long as United States imports of goods and services remain well below exports, tobacco will continue to face barriers erected by foreign countries. Continued efforts, however, are being made to obtain a relaxation of restrictions wherever possible and to prevent more stringent measures from being imposed. The latter activity is especially important as continued pressure is exerted by tobacco producing countries to strengthen the existing favored treatment they enjoy in important markets. Tobacco as an important export commodity, and one vitally affected by the level of foreign exchange earnings by countries abroad, will benefit from a general raising of the level of United States imports of goods and services.

Spokesmen for the major segments of the United States tobacco industry have voiced their strong belief in the Reciprocal Trade Agreements Act as a means of increasing two-way trade. They have expressed their opinion, in effect, that the stimulus given United States tobacco exports by the dollar earnings made available through increased sales of foreign goods in this country far outweighs increases in United States tobacco imports that may have arisen from the gradual lowering of United States tobacco tariffs under the reciprocal-trade agreements program.

COMPETITIVE PRICES OF TOBACCOS IN WORLD MARKETS

Foreign tobaccos are not comparable in regard to quality with United States leaf. The flavor and aroma of United States cigarette types (flue-cured, burley and Maryland) are superior to such types grown in other countries. There are no world prices of tobacco, even by type, but the tables on the following page give the average export prices received by the United States and the major competing exporters in recent years.

Flue-cured.—Average prices of United States flue-cured are higher than the prices of flue-cured exporters by other countries, but this has been to a considerable extent due to the higher quality of United States leaf. The bulk of competitive flue-cured exports from the Rhodesian Federation and India are of low quality, lacking in body, aroma, and flavor. Canadian flue-cured is of better quality than either Indian or Federation leaf, but is of lower quality than United States leaf. In the case of the Federation (southern Rhodesia, northern Rhodesia and Nyasaland), our most important competitor, prices of the higher quality grades of flue-cured are as high or higher than the prices of the top-quality grades of United States flue-cured; while the prices of the lower quality grades are well below those received for the lower qualities of United States flue-cured.

Burley.—Export prices of United States burley have always been above the prices of foreign burleys, but because United States leaf is far superior in quality to the foreign product, differences in price have not prevented the long-term trend of rising United States exports of this type. The greatest competition that United States burley faces in foreign markets is from other kinds of leaf, particularly flue-cured, oriental, other light air-cured types and several dark air-cured

tobaccos. However, the recent increases in United States demand for the heavier-bodied grades of burley, especially for use in filter-tip cigarettes have, resulted in very sharp rises in the prices of such grades in the past 2 years. Because of these sharp rises in prices, particularly of the heavier, flavorful grades that are popular export qualities, United States burley is in an increasingly difficult competitive position in world markets which, if continued, is likely to affect United States burley exports adversely.

Dark tobaccos.—Competitive dark tobaccos, especially the air-cured types, but also the fire-cured types, are priced well below the United States prices for similar types. The average wages and incomes of farmers in all of the areas producing such tobaccos are lower than those of United States tobacco farmers, and the farm families in these countries have standards of living that are well below the minimum level that would be accepted by United States farm families.

Tobacco, flue-cured: Comparative export prices, selected countries, 1950–57

[United States cents per pound]

Year	United States	Federation Rhodesia and Nyasaland	Canada	India
1950	53.5	[1] 54.5	49.8	[2]
1951	64.5	[1] 56.5	56.8	[2]
1952	63.1	[1] 59.8	58.3	34.3
1953	66.8	61.3	55.8	33.9
1954	68.9	58.3	57.3	30.2
1955	67.3	61.4	57.3	28.6
1956	66.6	50.6	58.6	[3] 30.0
1957	[4] 69.7	[4] 65.8	[4] 61.7	[2]

[1] Southern Rhodesia.
[2] Not available.
[3] 9 months.
[4] 6 months.

Tobacco, burley: Comparative export prices, selected countries, 1950–57

[United States cents per pound]

Year	United States	Canada	Italy	Nyasaland
1950	40.5	[1]	[1]	[1]
1951	46.9	39.7	32.7	[1]
1952	53.9	44.9	[1]	[1]
1953	52.2	44.2	32.8	[1]
1954	51.4	44.0	31.4	[1]
1955	55.9	43.0	35.5	42.7
1956	58.7	41.6	[1]	39.7
1957	[2] 76.1	42.2	[1]	[3] 56.6

[1] Not available.
[2] January–July.
[3] Approximately 58 percent of exports were in the form of strips at an average price of 66 cents per pound.

Tobacco dark: Comparative export prices, selected countries, 1950–56

[United States cents per pound]

Kind and exporting country	1950	1951	1952	1953	1954	1955	1956
Fire-cured:							
United States (Virginia type)	53.0	59.0	63.7	64.6	62.5	62.4	61.8
United States (Kentucky–Tennessee)	41.0	39.7	47.8	49.0	50.7	52.6	51.9
Nyasaland (Kentucky)[1]	30.6	23.8	27.9	27.7	26.1	30.4	29.8
Italy (Kentucky)	[2]	[2]	[2]	[2]	24.5	23.5	[2]
Dark air or sun-cured:							
United States (Green River)	44.9	27.7	46.9	30.2	35.6	43.5	34.7
United States (One Sucker)	55.6	46.4	76.1	65.9	39.1	23.6	26.8
Nyasaland [1]	34.3	32.3	32.7	34.6	29.4	34.6	[2]
Colombia	10.5	11.2	12.2	12.3	11.7	11.3	[2]
Dominican Republic	14.8	16.3	15.7	18.7	18.1	16.9	17.2

[1] Federation of Rhodesia and Nyasaland since 1953.
[2] Not available.

Coffee

World situation.—World coffee supplies have been increasing since the 1951–52 marketing season. While consumption has been increasing during this period, it has not kept pace with the increased production. The excess of production over requirements during the 1957–58 season may amount to 4 million bags. All producing continents are expected to have at least as large a crop for 1957–58 as for 1956–57. Brazil, the largest coffee producing country, is expected to have over 6 million bags more exportable production of coffee for 1957–58 than for 1956–57.

United States situation.—Coffee roastings in the United States for the first half of 1957 lagged behind the 1956 rate. They began to increase in July 1957 over the previous year, and amounted to about 2 percent more for the year 1957 than in 1956. Consumption of coffee in the United States has fluctuated around the 20-million-bag level since World War II. This would indicate a per capita decrease in coffee consumption, as population has been increasing. However, increased use of soluble coffee since 1952 has probably caused some decrease in per capita consumption, as more cups of coffee are obtained from soluble coffee than from the roasted. Stocks of green coffee at the end of October 1957 were about 1.5 million bags. This was the lowest level in two years, and was 1 million bags lower than at the beginning of calendar year 1957.

Outlook.—Coffee production in the world will probably be several million bags more than requirements for the next 4 or 5 years. African production continues an upward trend. Brazil, producing about 45 percent of the total world supply, is expected to have a marked increase in the state of Parana in the next few years.

Spot coffee prices of Colombians and Brazils reached their low point of 1957 about the 1st of October. On October 18, 1957, 7 Latin American countries signed an agreement regulating the exportation of coffee for the 1957–58 marketing year. Within 2 weeks spot prices for Latin American coffee had strengthened by several cents a pound, and remained very stable for the remainder of 1957. While the agreement may have been a temporary solution to the mounting surpluses, such controls probably cannot be expected to be an answer if the expected surpluses of the next few years are realized.

Accomplishments.—During the year 1957 world coffee summaries were published on a quarterly basis. These summaries contained quantitative data on production, trade, and consumption, as well as world supply and distribution and requirements data. Special circulars were also published on the Indian coffee situation, and the African coffee situation. Information of a current nature was published in Foreign Crops and Markets.

Agricultural attachés were assigned in 1957 in British East Africa, Belgian Congo and the French Cameroons. These areas of Africa are increasing their coffee production and information of a current and timely nature from them is becoming more important to the trade and the public.

Sugar

World situation.—In 1957, world production of centrifugal sugar set a new high record of 47.7 million short tons. This record continued the upward trend in annual production which has been generally evident since 1945. Annual production of noncentrifugal sugar, however, has changed very little in the past 5 years, and in 1957 it was about 6.8 million tons.

World population has been increasing, but at a slower rate than the increase in sugar production. The world per capita consumption of all sugar, therefore, has risen from about 34 pounds in 1950 to about 40 pounds in 1957.

Underdeveloped countries around the world are continuing their push for industrial development and economic growth. Progress in this direction is usually accompanied by rising levels of consumption of manufactured and processed products including sugar. Incomplete data indicate that world stocks of sugar at the beginning of the season for grinding the 1957 crops of sugarcane and sugar beets were generally in a well-balanced position not greatly different than a year earlier.

Continued activity was noted in 1957 in development of plans for and construction of additional mills and refineries, as various countries continued their efforts to develop their sources of income from exports or to lessen their dependence upon food imports.

United States situation.—The 1958 quota for new supplies of sugar from all sources, foreign and domestic, to be available for marketing in the continental United States has been announced (December 20, 1957) as 8,800,000 short tons,

raw value. In arriving at this determination, consideration was given to the increased requirements arising out of a growing population with a relatively stable per capita consumption, and to the quantities of sugar charged to 1957 quotas that will be delivered and available for consumption in 1958.

Barring unexpected major developments that might alter the supply prospects substantially or spark demand beyond normal consumption requirements, the United States should have no difficulty in meeting its requirements.

Short-term outlook.—With these assumptions, prices for sugar in the United States should maintain their normal margin above world sugar price levels. No large change either up or down in world prices for sugar during 1958 is expected from the level of early 1958.

Recent political disturbances in Cuba do not seem to be on such a scale as to seriously threaten full attainment of Cuba's self-imposed production limit of 5,500,000 Spanish long tons.

Assuming no open warfare involving the United States or her suppliers, the operation of the United States Sugar Act probably will continue to be successful in maintaining the proportionate shares in the United States sugar market now enjoyed by the United States and other producers, except for the Philippine share which has been placed on an absolute rather than on a percentage basis. United States mainland producers are supplying about 28 percent, and Cuban producers about 33 percent, of the market for sugar in the United States.

Through the International Sugar Agreement, participating countries have sought to achieve less uncertainty and more stability in international movements of sugar not already controlled by special trade-group arrangements. This agreement extends only to the end of 1958, after which the question of renewal or negotiation of a new agreement will arise. In the meantime, this Branch expects to be called upon to assist in the appraisal of the operation and effects of the agreement, and the development of the United States position toward any new proposals.

Long-term outlook.—World production of sugar is increasing as more countries adopt better methods and expand acreages to meet local needs or to provide income from exports. There undoubtedly will be a continued shift toward production and use of refined sugar in comparison with less refined and noncentrifugal sugar. Per capita consumption of sugar is rising, especially in countries currently having relatively low consumption. Problem situations no doubt will arise in certain countries and in certain years, as unusual conditions occur in weather or in economic expansion programs. In general, however, growth in production is expected to keep pace with growth in effective demand. Nearly all countries are working toward agricultural self-sufficiency, sometimes without much regard for their cost of production. Therefore, no country should start a vast expansion of sugar production for export without first considering very carefully the ability of its intended customers to produce their own sugar.

Accomplishments.—Six world summaries were published in 1957, first as commodity summaries appearing as a part of the periodical Foreign Crops and Markets, and shortly thereafter as separate circulars. These summaries were issued as soon as possible after the appropriate data were available, and covered the following: world sugar beet production, world production and trade for both centrifugal and noncentrifugal sugar, world sugar mill developments, and honey production and trade in specified countries.

In addition, frequent short timely articles of interest to the sugar world were published in Foreign Crops and Markets as significant events occurred.

Numerous requests for statistical information were received from representatives of the sugar trade, from publishers serving the sugar industry, and from other departments and agencies of the Government. These requests were filled on the basis of the current and historical data compiled in this office, or upon the basis of conclusions drawn from study of such data.

Pepper and Other Spices

PEPPER

World situation.—World pepper production in 1956 was an estimated 189 million pounds, exceeding estimated prewar (1935–39) production for the first time. Preliminary information indicates that 1957 production was approximately 170 million pounds, or 10 percent lower than in 1956. The decrease in production is attributed primarily to floods which occurred in Sarawak, and to

lower production in Indonesia. During 1958 it is anticipated that pepper production will increase.

India ranks as the largest producer of pepper, a position it gained during World War II, but internal consumption in India is great enough that Indonesia ranked as the leading exporter of pepper. Sarawak continued to expand its exports and is challenging Indonesia as the leading exporter.

A new exporting country appeared on the market during 1956. Brazil, whose pepper industry has grown quite rapidly percentagewise, exported 110,000 pounds to the United States during 1956. During the first 10 months of 1957 total exports from Brazil to the United States were about 497,000 pounds.

United States situation.—United States imports of pepper during 1956 totaled 39.6 million pounds, compared with 35.3 million pounds in 1955. The 1956 total exceeded estimated prewar consumption levels by about 14 percent. With continued adequate supplies available United States requirements may increase to a consumption level of 45 million pounds within a few years.

Prices.—Since reaching a peak of $2.65 a pound in August 1950, pepper prices have been declining. During 1954, the average wholesale price per pound was 73.2 cents, 44.8 cents in 1955, 31.5 cents in 1956, and during the first 11 months of 1957, 27.2 cents per pound.

Outlook.—World pepper production is expected to continue to increase during the next few years. This increase should occur even if no new plantings are made, since each of the producing countries have made sizable new plantings since the end of World War II.

Two factors that could deter this expected increase are low prices and disease.

Accomplishments.—During calendar 1957 a world production and trade circular was published. Current pepper information was published as it became available in Foreign Crops and Markets.

Plans.—It is planned to publish another trade and production circular during 1958, and an article for Foreign Agriculture has been prepared and should appear during 1958.

OTHER SPICES

Situation and outlook.—Other than black pepper, the most important spices are cinnamon, paprika, garlic, chili powder, nutmeg, cloves, red pepper, oregano, and parsley flakes.

At the close of the war United States imports of these spices were in such limited quantities that the Bureau of the Census listed them under a single category. Today they have earned a listing of their own, and the quantity imported continues to increase each year.

Since the mid-1930's there has been a constant increase in the use of spices and a return to seasoned foods. Today we are using approximately 157 million pounds of spices compared with 100 million pounds in the early 1930's and 118 million pounds in 1947.

Since 1954, when an embargo was placed on imports from Indochina, the popular Saigon variety of cinnamon has been in very restricted supply. A new ruling, however, now permits imports from Indochina if they are certified as coming from the Vietnam (non-Communist) section of that country.

Indonesia and Grenada are the principal suppliers of nutmeg and mace to the United States. With the internal problems that Indonesia now faces, it could reduce the quantity available for export during 1958.

Information concerning spices which would be of interest to the trade have been published in Foreign Crops and Markets as it becomes available.

TEA

World situation.—Preliminary data available indicates that world production of tea is continuing to increase. Currently, tea is grown in about 20 countries of the world, not including Russia and Communist China. However, only about half of these countries grow tea in appreciable quantities for the export market. India and Ceylon produce over 60 percent of the tea in the world, supplemented by production in Indonesia, Formosa, Japan, Pakistan, British East Africa, Mozambique and Federation of Rhodesia and Nyassaland. Tea is also grown in lesser quantities and primarily for domestic consumption in Turkey, Iran, Belgian Congo, Mozambique, Malaya, Peru, Brazil, and Argentina.

The increase in the world supply of tea has not been matched by a corresponding increase in consumption. This has resulted in a increase in stocks, and with more tea available, buyers have begun to place more emphasis on quality tea.

The International Tea Agreement which expired during 1955 was not renewed during 1957.

United States situation.—The United States is the world's second largest importer of tea. However, per capita consumption is something less than 1 pound per person. United States imports of tea during the first 8 months of 1957 were 71.8 million pounds, compared with 67.6 million pounds during the same period of 1956. The average value per pound of United States imports from January to August 1957 was 51 cents the same as during all of 1956, but somewhat below the average of 62 cents in 1955. The United States is now a predominant user of black tea; however, this has not always been the case. During 1910, green tea accounted for about 70 percent of the United States market, today it is probably somewhat less than 5 percent.

Outlook.—Tea production is expected to continue to increase, with Africa becoming more important as a producer and giving stiff competition to the Asian producers. Overproduction will be a factor, even with reduced yields through fine plucking. Production and export controls by the governments of the larger producing areas will be used to aid the industry. With increased supplies on the market, quality will become a most important factor in meeting competition. World stocks and carryover will increase.

Accomplishments.—During 1957 a world production and trade circular was published. Also circulars on the tea situation in Japan and India were published.

Plans.—During 1958 it is planned to at least match the preceding year's output of circulars. Also timely information will be made available to the trade in Foreign Crops and Markets.

Cacao

World situation.—Both production and consumption of cocoa increased during 1957. Wholesale prices were at a low of 22.3 cents for March, but by November were over 40 cents per pound. World stocks of cocoa were on the increase from 1953 through 1956. There was probably some decrease in these stocks during 1957.

Production of cocoa beans for the crop year October 1, 1956, through September 30, 1957, amounted to approximately 2,041 million pounds. At the beginning of the 1957–58 year it appeared that the coming crop would be about the same size as in 1956–57. Prolonged rains in the large producing countries of Ghana and Nigeria deterred harvesting and curing, and may have reduced these crops considerably. World production is on an upward trend, however, and there is a good potential for expansion either through increased plantings or improved practices in most of the producing areas. South American production has increased by about 43 percent over the 5-year prewar average, while African production shows an increase of about 25 percent.

World consumption of cocoa beans in 1958 is expected to be very nearly the same as production. Imports into the large consuming countries of the United Kingdom, Western Germany, France and the Netherlands for the first three quarters of 1957 were running ahead of the same period of 1956.

In May 1957, Brazil inaugurated a price support scheme for cocoa. This scheme would not allow exportation of cocoa beans below a price of 31.60 cents, f. o. b. As Brazil is the predominant supplier of cocoa from May until the African crops come in in October, the effect of this was to hold an umbrella over the market for several months.

United States situation.—Utilization of cocoa beans in the United States increased by 5.3 percent during 1957 over 1956. The cocoa bean grind in each quarter of 1957 exceeded the similar period of 1956.

Arrivals of cocoa beans into the United States in 1957 amounted to 470 million pounds, or about 47 million pounds below the total grind. While this shows a decrease in the stocks, there had been a buildup of about 150 million pounds between 1953 and 1956.

Outlook.—Representatives of the United States cocoa trade (manufacturers, dealers, and confectioners) seemed to be in general agreement about the middle of January 1958 that at the prevailing prices a decrease of about 15 percent utilization of cocoa beans could be expected in 1958. Manufacturers can probably convert to substitutes much more easily now than they did following the very high prices of 1951. Some manufacturers have expressed the opinion that the world could be using 1.5 million tons of cocoa (an increase of about 65 percent over the present) 10 years from now.

The United States through the International Cooperation Administration has cocoa improvement programs in several countries including Brazil, Columbia, Costa Rica, Cuba, Ecuador, Guatemala, Haiti, Bolivia, Panama, and the Republic of the Philippines. The American Cocoa Research Institute and the Inter-American Institute of Agricultural Sciences at Turrialba, Costa Rica, are continuing their cooperation on cocoa research programs in Latin America. They are now planning the building of an isotope laboratory to be built at Turrialba in cooperation with the Atomic Energy Commission for use in cocoa planting and fertilizer studies.

Accomplishments.—During 1957 two cocoa bean circulars on world production and trade were published. Forecasts of world production are made in these circulars, and cocoa bean trade is published according to country of origin and country of destination. Pertinent information of a current and timely nature was published in Foreign Corps and Markets as it became available.

An agricultural attaché was added in the Belgian Congo in 1957. This attaché also covers the important cocoa-producing country of the French Cameroons. Over 50 percent of the world's cocoa is now produced in the African countries of Ghana, Nigeria, Ivory Coast, Fernando Po and Rio Muni, French Togoland, Sao Thome, Principe, and Sierra Leone, now covered by one attaché.

Vegetable Fibers (Except Cotton)

World situation.—Supplies of most of these fibers increased over preceding years in both 1956 and 1957. The principal increases were in hard fibers and hemp. Early reports indicated a slight decrease in jute in 1957. Little change was reported in year-end stocks of these fibers. Demand kept pace with production of abaca and jute, and prices of these two fibers in 1957 were the highest of several years. Sisal and henequen moved more slowly in the market, and their prices (except for henequen in 1955) averaged the lowest of the postwar period.

Production quantities in millions of pounds for 1957 (early estimates) and 1956, respectively, were: Sisal, 1,100 and 1,095; abaca, 300 and 297; henequen, 270 and 267; and jute, 4,518 and 4,569. Flax fiber production continued to increase in the Netherlands, but decreased in other major growing countries, such as Belgium, France, and Ireland. Recent exports of flax fiber from Russia had a disturbing factor in the European flax-producing industry. Hemp production increased slightly, but is not expected to continue the trend. No significant change has been reported in ramie output.

United States situation.—The United States depends on imports for its entire supply of cordage fibers and jute, and for the major supply of other vegetable fibers, except cotton. Imports in 1956 included 75,000 long tons of raw jute, principally from Pakistan, and 526 million pounds of burlap and 14 million pounds of bags, both principally from India. These with other jute manufactures had a combined value of $114 million, compared with $106 million in 1955 and $92 million in 1954.

Imports of abaca, sisal, and henequen were 170,000 tons valued at $34 million, compared with 182,000 tons valued at $35 million in 1955. The decrease was due to a 21,000-ton decrease in henequen. Most of the henequen is imported from Mexico. None was exported from Mexico in the first half of 1956. Most of the United States imports of henequen in that year was entered in the last quarter. Imports of abaca and sisal increased in 1956. Sisal was imported principally from British East Africa, Brazil, and Haiti, and abaca principally from the Philippines. Imported manufacturers of these hard fibers, mostly baler and binder twines and chiefly from Mexico and Canada, amounted to $25 million in 1956, compared with $22 million in 1955.

Short-term outlook.—The United States is expected to be able to obtain sufficient supplies of these fibers, as well as of Indian burlap and Mexican twines. The quality of the 1957 jute crop was generally not as good as in previous seasons because of the late harvest, but supplies of middle grades should be sufficient. Sisal is in plentiful supply, and henequent fiber is expected to be sufficient for demand.

Davao grades of abaca were in shorter supply for 1957, and producers and shippers in the growing areas of the Philippines were reported to be holding back in hopes of higher prices, but non-Davao grades were in larger supply than for 1956. Increased plantings in non-Davao areas indicate an increased future supply of abaca from these areas.

Long-term outlook.—Hard fibers are produced from perennial plants and production is relatively stable. The outlook for sisal is a plentiful supply at reasonable prices. Sisal is still being harvested from the peak planting period, and production is expected to continue at the current high level for at least another year or two. Even then no significant decline is expected.

Jute and jute manufactures are expected to continue in adequate supply. Bulk handling of commodities and the use of paper bags seem to be progressing faster than the development of new uses for jute, but a trend of slightly normal increase continues in the demand for jute goods. Production is controlled quite well in Pakistan in relation to world demand, but Indian production continues to increase in order to meet the demand of domestic mills.

The Philippines is the chief source of abaca, and production there, despite difficulties, is expected to be sufficient for demand. Indonesia is practically out of a supply position for abaca, and the sisal output may have already passed its peak.

Accomplishments.—Information on developments in acreages, weather conditions, political and economic situations, and other factors affecting world production and marketing and United States supplies of the principal hard and soft vegetable fibers was procured, analyzed, and distributed in Foreign Crops and Markets, foreign agricultural circulars, and replies to letters, phone calls, and other requests. Production and related information—current, historical, and forecast—was supplied to Defense and other Government agencies. World summaries of production of jute, abaca, henequen, and sisal were published. A 47-year historical study of data on United States imports of 13 soft and other vegetable fibers was published in 1957.

Plans.—World summaries of production of the principal vegetable fibers except cotton with pertinent related information will be prepared and published. Current useful information on specific fibers and developments in producing and exporting countries will be analyzed and published as available. General and specialized information will be maintained for consultation and discussion of situations and prospects for the princpal fibers and for many of the minor fibers of importance but of less general interest. Furnishing specialized information in cooperation with other Government offices and agencies will be continued.

Mr. MINOR. I also have a 1-page statement on major developments in trade agreements for your consideration; and a short statement on the import control activities. Those have been inserted in the past.

And here is a short one on the financial conditions of foreign countries on which there was some discussion, but it summarizes it in brief form that might be useful.

Mr. MARSHALL. In order that we may have these in the hearings in the proper place, I wonder if you wouldn't insert these two with the remarks when they come back because I notice we have major developments in trade agreements and that certainly ought to be in the last part of it so it is in the same place; and this one on trade certainly ought to be put in the hearings.

We would prefer if you put that in in the appropriate place so it is made a part of it there and you have our permission to do that.

Mr. MINOR. Thank you, sir.

And I also have one on the staffing at each of the attaché posts that I would like to insert, if I may, along with that discussion.

Mr. MARSHALL. We would be pleased to have you handle that in exactly the same way, place it in the appropriate part where we were talking about it.

IMPORT CONTROL PROGRAM

And this statement on import control program we will insert in the record at this point.

(The statement referred to is as follows:)

IMPORT CONTROL PROGRAM

Section 22 of the Agricultural Adjustment Act, as amended, is designed to protect agricultural programs from being materially interfered with by im-

ports. It provides, in part, that if the Secretary has reason to believe that imports of any article or articles are being, or are practically certain to be imported in such quantities as to render or tend to render ineffective or materially interfere with price support or other programs of the Department, he shall so advise the President. If the President concurs in this belief, the President directs the Tariff Commission to make an investigation of the facts and report to him with recommendations. Final decision as to whether there is interference under the terms of section 22 and the decision as to appropriate action are made by the President. Remedies available include quantitative limitation on imports to, but not less than, 50 percent of the quantities entered in a representative period or fees not in excess of 50 percent ad valorem.

RESPONSIBILITIES OF THE DEPARTMENT OF AGRICULTURE

The Department of Agriculture has numerous responsibilities under section 22.

1. Pursuant to Presidential Proclamations, Nos. 3019 and 3025, both issued in June 1953 under section 22, the Department of Agriculture has the responsibility of apportioning imports and issuing import licenses for certain dairy products for which import quotas are established. These include butter, dried whole milk, dried buttermilk, dried cream, dried skim milk, malted milk, Cheddar cheese, Edam and Gouda cheeses, blue-mold cheese, and Italian type cheese from cow's milk, butteroil, and dairy products containing more than 45 percent butterfat.

During fiscal year 1956, the Department computed and issued over 2,000 licenses for imports of the various cheeses subject to control, as well as licenses for the other dairy products specified in the proclamation. In addition, the Department has authorized the transfer of source of imports in another 360 cases, received and examined about 150 petitions for relief from hardship and handled about 1,000 letters during this period. So far in fiscal year 1958 (July 1, 1957, through January 15, 1958) about 1,300 licenses for imports of cheese have been prepared, about 250 transfers have been authorized, about 80 petitions for relief from hardship were received and examined, and over 200 port changes have been processed.

The Department also has the responsibility for issuing permits for the importation of wheat and rye for planting purposes and wheat for experimental purposes.

2. The Department of Agriculture must make preliminary investigation and present testimony on commodities concerning which section 22 cases are initiated and reopened.

By the end of fiscal year 1958, the following commodities probably will come up for reconsideration: rye, tree nuts, tung oil and nuts, figs, dates, and certain dairy products.

3. In addition to cases that are reopened, it is necessary for the Department of Agriculture to examine many of the commodities or groups of commodities which are under price support or other programs of the Department to determine whether imports are interfering or are practically certain to interfere with the Department's undertaking for the commodity.

So far, in 1958, the Department has completed several preliminary surveys of commodity problems which may result in Tariff Commission investigation before the end of the fiscal year.

Mr. MARSHALL. Do you have anything else that you wish to state as far as statements before this committee?

Mr. PAARLBERG. Except to thank you for your very searching questions, for your cooperative attitude in bringing out the substance of the work we are doing.

Mr. MARSHALL. We thank you.

All of our members of our committee are interested in this work. We know how important it is to our agricultural economy. We know how important it is to our whole national economy, and so, of course, we are all just vitally interested in these programs that you are carrying out.

The committee then will stand adjourned until 1 o'clock tomorrow.

COMMODITY EXCHANGE AUTHORITY

WITNESSES

DON PAARLBERG, ASSISTANT SECRETARY OF AGRICULTURE
RODGER R. KAUFFMAN, ADMINISTRATOR, COMMODITY EXCHANGE AUTHORITY
DOUGLAS B. BAGNELL, DEPUTY ADMINISTRATOR, COMMODITY EXCHANGE AUTHORITY
DANIEL A. CURRIE, ASSISTANT TO THE ADMINISTRATOR, COMMODITY EXCHANGE AUTHORITY
LEE A. DASHNER, DEPUTY DIRECTOR OF FINANCE, DEPARTMENT OF AGRICULTURE

SALARIES AND EXPENSES

Program and financing

	1957 actual	1958 estimate	1959 estimate
Program by activities:			
1. Licensing	$52,003	$54,900	$54,900
2. Supervision of futures trading	416,906	441,100	441,100
3. Audits	177,386	183,700	183,700
4. Investigations	138,287	152,300	152,300
Total obligations	784,582	832,000	832,000
Financing: Unobligated balance no longer available	2,818		
Appropriation (new obligational authority)	787,400	832,000	832,000

Object classification

	1957 actual	1958 estimate	1959 estimate
Total number of permanent positions	137	135	135
Average number of all employees	126	128	128
Number of employees at end of year	127	127	127
Average GS grade and salary	6.8 $5,379	6.9 $5,395	6.9 $5,419
01 Personal services:			
Permanent positions	$697,761	$706,900	$706,900
Other personal services	377	3,300	3,300
Total personal services	698,138	710,200	710,200
02 Travel	12,827	10,300	10,300
03 Transportation of things	1,484	1,000	600
04 Communication services	18,919	18,600	17,800
05 Rents and utility services	15,013	15,400	15,400
06 Printing and reproduction	13,464	13,100	13,000
07 Other contractual services	12,578	9,700	9,700
Services performed by other agencies	1,158	950	900
08 Supplies and materials	5,730	5,300	5,300
09 Equipment	4,413	2,150	2,000
11 Grants, subsidies, and contributions		44,600	46,100
13 Refunds, awards, and indemnities	780	600	600
15 Taxes and assessments	78	100	100
Total obligations	784,582	832,000	832,000

Mr. MARSHALL. The committee will be in order.

At this point, we shall insert pages 142 through 151 of the justification in the record.

(The justification referred to is as follows:)

Purpose Statement

The Commodity Exchange Authority administers the Commodity Exchange Act of September 21, 1922, as amended.

The major objectives of the act are to prevent commodity price manipulation and market corners; prevent dissemination of false and misleading crop and market information affecting commodity prices; protect hedgers and other users of the commodity futures markets against cheating, fraud, and manipulative practices; insure the benefits of membership privileges on contract markets to cooperative associations of producers; insure trust-fund treatment of margin moneys and equities of hedgers and other traders and prevent the misuse of such funds by brokers; and provide information to the public regarding trading operations and contract markets.

The basic act, originally designated as the Grain Futures Act, conferred limited authority with respect to futures trading in grains only. By amendment of June 15, 1936, its short-title designation was changed to "Commodity Exchange Act," and its regulatory provisions strengthened and extended to cotton, millfeeds, butter, eggs, potatoes, and rice. By amendment of April 7, 1938, wool tops were added to the commodities subject to the act; fats and oils, cottonseed, cottonseed meal, peanuts, soybeans, and soybean meal were added by the act of October 9, 1940; wool was added by enactment of Public Law 690 of August 28, 1954; and onions were added by enactment of Public Law 174 of July 26, 1955.

These functions carried out under the act are performed through a Washington office and five field offices, located in the commodity markets at Chicago, Kansas City, Minneapolis, New Orleans, and New York. On November 30, 1957, the Commodity Exchange Authority had 124 employees, 38 of whom were stationed in Washington, D. C., and 86 in the field offices.

Appropriation:

Appropriated, 1958	$832,000
Budget estimate, 1959	832,000

Salaries and expenses

Appropriation act, 1958 and base for 1959	832,000
Budget estimate, 1959	832,000

Project statement

Project	1957	1958 (estimated)	1959 (estimated)
1. Licensing	$52,003	$54,900	$54,900
2. Supervision of futures trading	416,906	441,100	441,100
3. Audits	177,386	183,700	183,700
4. Investigations	138,287	152,300	152,300
Unobligated balance	2,818		
Total appropriation or estimate	787,400	832,000	832,000

Status of Program

Objective and functions.—Enforcement of the Commodity Exchange Act requires supervision over 16 commodity exchanges designated as contract markets. Enforcement is a continuous process involving the following functions:

1. *Market designation and broker registration.*—(*a*) Designation of commodity exchanges as contract markets; (*b*) annual registration of futures commission merchants and floor brokers; and (*c*) continuing review of exchange rules and regulations.

2. *Supervision of futures trading.*—(*a*) Compilation, audit, tabulation, and review of trade reports and current market analyses; (*b*) establishment, enforcement, and review of speculative limits; (*c*) review of market news and letters; (*d*) maintenance of a quotation and ticker service; (*e*) analysis of cash commodity transactions; (*f*) cooperative activities with control committees of contract markets; (*g*) observance of floor trading; and (*h*) compilation and publication of market information.

3. *Prevention of misuse of customers' funds.*—(*a*) Audit and examination of records of futures commission merchants; and (*b*) analysis of brokers' financial statements.

4. *Investigation and control of trade practices.*—(*a*) Investigation of complaints and alleged and apparent violations; (*b*) trade practice audits and surveys; (*c*) investigation of delivery practices; and (*d*) preparation and presentation of evidence of violations in administrative hearings and judicial proceedings.

RECENT DEVELOPMENTS

In the fiscal year ended June 30, 1957, the Commodity Exchange Authority supervised futures trading in 23 commodities. The number was the same as in the previous fiscal year, although the 1957 fiscal year total includes tallow, in which futures trading was resumed during the year, but does not include barley, in which there was futures trading in fiscal 1956 but not in fiscal 1957.

Special surveillance and economic analysis of futures trading in onions, the regulation of which began during the previous year, was placed on a virtually continuous basis in fiscal 1957 in view of continuing problems in the Chicago onion market and requests for information from Members and committees of Congress concerned with legislative proposals affecting futures trading in onions. The significant information obtained from the agency's special trading surveillance and market analysis work in onion futures was published in five reports during the year.

The enforcement of speculative limits for onion futures was begun on September 1, 1956, thus effectuating the order of the Commodity Exchange Commission, establishing such limits. To provide factual information needed for effective enforcement of the limits, regulations, and procedures were put into effect by the Commodity Exchange Authority requiring weekly reports on cash onion and onion futures positions by onion shippers, merchandisers, processors, and dealers having onion positions of reportable size.

On September 22, 1956, the agency began the additional trading surveillance and enforcement work resulting from the amendment of the Commodity Exchange Act by the 84th Congress pertaining to "anticipatory hedging." Under this amendment (sec. 4a (3) (C) of the act) processors and manufacturers may hedge anticipated requirements which previously could not be classed as hedging under the act, provided they furnish certain information to the CEA in advance and meet the other requirements specified by the law and the relevant regulations. Under the regulations and procedures put into effect by the CEA, 12 firms—all in grains—filed statements covering their "anticipatory hedging" needs and at the close of the fiscal year 10 of them were operating under the new provisions of the act.

SELECTED EXAMPLES OF RECENT PROGRESS

Number of broker and trader reports received.—In the operation of the reporting system, requiring daily reports from commodity brokers and large traders, an estimated 581,324 reports were received, processed, and analyzed during fiscal 1957. This figure was 1.3 percent below the 588,845 reports received during the previous year. Reports in 1957 from brokers relating to daily volume of trading and open contracts numbered 276,242, and reports relating to the transactions and positions of large traders, 305,082.

Increased number of delivery notices reviewed.—Review of all delivery notices issued in connection with delivery settlements on futures contracts was continued during the year, for the purpose of providing information on quantities delivered, grades involved, amounts redelivered, and the number of times delivery notices were passed. In fiscal 1957, 37,189 delivery notices were reviewed, compared with 34,358 in 1956, an increase of 8.2 percent.

Enforcement of speculative limits disclosed 17 infractions.—Surveillance of broker and trader reports and other procedures were maintained during the year for the enforcement of speculative limits established by the Commodity Exchange Commission applicable to individual large traders in grains, soybeans, cotton, eggs, and onions. Surveillance of trading disclosed 17 instances in which traders exceeded speculative limits in fiscal 1957, compared with 36 such instances in 1956. Of the 17 instances in the recent year, speculative position limits were exceeded in 11 instances, as follows: Wheat, 2 instances; rye, 2; corn and soybeans, 1 each; onions 3; and eggs, 2. The remaining six instances involved infractions of the daily trading limits in eggs. In all instances, the infractions were handled by administrative action.

Fats and oils reporting levels increased.—In view of the greatly increased volume of futures trading in fats and oils since reporting levels for these commodities were originally established, it was found desirable and practicable to increase the minimum reporting level for these commodities. By amendment of the regulations effective November 24, 1956, the reporting level for lard and tallow was raised from 600,000 pounds to 1 million pounds, and for cottonseed oil and soybean oil from 900,000 pounds to 1,500,000 pounds. Since the trading unit for lard is 40,000 pounds, and for cottonseed oil and soybean oil 60,000 pounds, the new reporting level for each of these commodities is the equivalent of 25 tank cars. The trading unit in tallow is 60,000 pounds, and the reporting level is approximately 17 tank cars.

Investigation of trading in the 1957 May potato future.—In the latter part of the fiscal year a special survey and investigation was made of speculative activity and erratic price movements in the 1957 May potato future on the New York Mercantile Exchange. During the delivery month of this future, contending long and short interests, impeded the orderly liquidation of the future. Most of the 194 contracts in May potatoes remaining open after the cessation of trading in the future on May 22 were settled by "last minute" deliveries on May 29 and 31. The survey and investigation are particularly concerned with the circumstances surrounding deliveries in the 1957 May future, and the practice of "getting behind the line" to avoid deliveries.

Special market surveys on onions, potatoes, and cotton.—Special surveys of the positions of all traders in onions on the Chicago Mercantile Exchange were made as of August 31, October 31, and December 31, 1956. Similar surveys were also made covering the positions of all traders in potato futures on the New York Mercantile Exchange as of October 31, 1956, and of all traders in cotton futures on the New York and New Orleans Cotton Exchanges as of September 28, 1956.

New periodic wheat futures report.—An additional market-data service was inaugurated in November 1956 with the first issue of the monthly report, Commitments of Traders in Wheat Futures. Similar to the monthly release on commitments of large traders in cotton futures issued since 1946, the new wheat report shows for all markets combined the aggregate open contracts of small and large traders, and the aggregate speculative and hedging positions of the large-trader group. The appearance of the new report was of particular interest to the grain trade because of the increased utilization of the futures markets for hedging in marketing the 1956 wheat crop, and the new wheat export program which became effective in the fall of 1956, changing the emphasis in wheat exports from CCC stocks to private trade handling.

Publications prepared.—Publications of special interest during the fiscal year 1957 were the report, Futures Trading in Onions (issued in December 1956), presenting basic data and the results of economic analysis work in onion futures in the first year of regulation, and the further report on speculation and price swings in onion futures in the latter part of the 1956–57 season. The latter report is entitled "Speculation in Onion Futures, January–March 1957." Three reports on surveys of all accounts in onion futures on selected dates during the year were also issued as follows: Onion futures, survey of open contracts on the Chicago Mercantile Exchange as of August 31, 1956, and reports with similar title as of October 31, 1956, and December 31, 1956.

Other publications prepared during the year included:

Potato Futures: Survey of Open Contracts on the New York Mercantile Exchange as of October 31, 1956.

Cotton Futures: Survey of Open Contracts on the New York and New Orleans Cotton Exchanges, September 28, 1956.

Commodity Futures Statistics, 1955–56. USDA Statistical Bulletin No. 196.

Periodic statistical reports issued during the year were as follows:

Daily reports issued by the field offices on volume of trading and open contracts in regulated commodities on the principal markets

Weekly reports: Sales of cotton "on call" based on New York futures; stocks of grain in deliverable position in federally licensed warehouses at Chicago, Ill.

Monthly reports:

Trade in Grain Futures
Trade in Cotton Futures
Commitments of Traders in Wheat Futures
Commitments of Traders in Cotton Futures

Floor brokers registered; market regulations reviewed.—The 16 commodity exchanges, currently designated as contract markets, and the 23 commodities in which futures trading was conducted are listed below:

Market	*Regulated commodity*
Chicago Board of Trade	Wheat, corn, oats, rye, soybeans, lard, cotton, cottonseed oil, soybean oil, grain sorghums, soybean meal.
Chicago Mercantile Exchange	Butter, eggs, potatoes, onions.
Chicago Open Board of Trade	Wheat, corn, oats, rye, soybeans.
Duluth Board of Trade	(No trading in 1956–57.)
Kansas City Board of Trade	Wheat, corn, soybeans, bran, shorts, middlings, grain sorghums.
Memphis Board of Trade Clearing Association.	Cottonseed meal, soybean meal.
Milwaukee Grain Exchange	Wheat, corn, oats, rye.
Minneapolis Grain Exchange	Wheat, oats, rye, soybeans, flaxseed.
New Orleans Cotton Exchange	Cotton, cottonseed oil.
New York Cotton Exchange	Cotton.
New York Mercantile Exchange	Potatoes, onions.
New York Produce Exchange	Cottonseed oil, soybean oil, tallow.
Portland Grain Exchange	(No trading in 1956–57.)
San Francisco Grain Exchange	Do.
Seattle Grain Exchange	Wheat.
Wool Associates of the New York Cotton Exchange.	Wool, wool tops.

There were 579 futures commission merchants registered, compared with 595 during the previous year. The number of floor brokers registered was 887 which was 2 less than in the previous year. As of June 30, 1957, registered futures commission merchants maintained 1,983 principal and branch offices, and had agents in 306 other offices handling orders for the purchase or sale of commodities for future delivery. The comparable figures a year earlier were 1,932 offices maintained by registrants and 289 agents' offices. A statutory requirement is that each contract market shall furnish the Secretary copies of all its bylaws, rules, regulations, and resolutions, and of all changes and proposed changes therein. All such material received during the past fiscal year was reviewed currently.

FUTURES TRADING DATA

Number of futures transactions.—For all regulated commodities, the number of futures transactions (purchases plus sales in terms of contract units) decreased 3.2 percent in the 1957 fiscal year as compared with 1956, but remained above the 10-year average. The total for fiscal 1957 was 8,837,000 transactions, compared with 9,130,000 transactions in the previous fiscal year. The number of transactions in 1957 was 8.2 percent above the average of 8,168,000 transactions for the 10-year period, 1947 through 1956.

Value of trading.—The value of trading, which reflects changes in price level as well as volume of transactions, was estimated at $35,918,400,000 for all regulated commodities in fiscal 1957. This represented a decrease of 10.4 percent compared with the estimated value of $40,093,600,000 in the 1956 fiscal year, and was 12.8 percent below the average of $41,174,500,000 for the 10-year period, 1947 through 1956.

Trading volume continued large in grains and fats and oils; smaller in cotton.—Futures trading increased in the 1957 fiscal year in wheat, rye, soybean oil, cottonseed oil, lard, wool, wool tops, and potatoes, but decreased in other regulated commodities, including corn, oats, soybeans, cotton, eggs, and onions. The wheat futures volume on all markets amounted to 4.9 billion bushels, and was the largest fiscal year total in 9 years. For the first time in 4 years, total activity in wheat futures exceeded that in soybean futures, which amounted to 4.5 billion bushels, representing a decrease of 19.2 percent compared with the previous fiscal year. Corn futures trading at approximately 2.3 billion bushels in fiscal 1957, and oat futures trading of 0.6 billion bushels showed decreases for the year, but the volume in rye futures, amounting to 0.9 billion bushels, was the largest in 11 years.

Cotton-futures trading declined to 22.3 million bales for the year, which was the smallest in the 32 years for which the CEA has records. Cotton-futures activity declined on both the New York and New Orleans exchanges, as market prices held close to the Government loan level, and relatively limited speculative

interest or hedging was attracted to the cotton-futures markets. Trading in both wool and wool-top futures increased.

The year's activity in fats-and-oil futures, aggregating nearly 20 billion pounds for all markets, was much above any previous yearly total. Soybean-oil futures on the Chicago Board of Trade, at a record 12.5 billion pounds, accounted for the greatest part of the increase, but cottonseed-oil trading on the New York Produce Exchange, amounting to 4.5 billion pounds, was about 32 percent larger than in 1955–56, and the lard-futures volume of 2.4 billion pounds on the Chicago Board of Trade was 23 percent larger.

In the produce commodities, egg futures trading on the Chicago Mercantile Exchange, amounting to 368,816 carlots, was 13.4 percent below the record 1955–56 total, but was the second largest fiscal-year figure on record. Futures trading in potatoes on the New York Mercantile Exchange, amounting to 137,055 carlots, was 8.6 percent above the previous year and the second largest on record. Onion futures trading on the Chicago Mercantile Exchange amounted to 88,942 carlots, a decline of 26.4 percent from 1955–56.

Trading in millfeed futures on the Kansas City Board of Trade, and in cottonseed meal and soybean meal on the Memphis Board of Trade Clearing Association, decreased, but the soybean-meal volume on the Chicago Board of Trade, aggregating 5.1 million tons, was the largest on record for that market.

Volume of futures trading, all contract markets combined, by commodities, fiscal years ended June 30, 1956, and June 30, 1957

Commodity	Unit	1955–56	1956–57	Percent of increase or decrease
Wheat	1,000 bushels	4,180,556	4,885,821	+16.9
Corn	do	2,762,007	2,275,888	−17.6
Oats	do	687,325	643,368	−6.4
Rye	do	574,098	913,312	+59.1
Barley	do	25	0	
Flaxseed	do	11,108	6,147	−44.7
Soybeans	do	5,541,841	4,479,827	−19.2
Grain sorghums	Million pounds	19	17	−10.5
Cotton	1,000 bales	39,594	22,306	−43.7
Wool	1,000 pounds	54,834	102,528	+87.0
Wool tops	do	86,220	98,760	+14.5
Butter	Carlot	73	2	−97.3
Eggs	do	425,900	368,816	−13.4
Potatoes	do	126,339	137,178	+8.6
Onions	do	126,795	89,229	−29.6
Cottonseed oil	1,000 pounds	3,451,860	4,551,840	+31.9
Soybean oil	do	8,185,200	12,583,200	+53.7
Lard	do	1,974,720	2,439,080	+23.5
Tallow	do		18,540	
Bran	Ton	32,970	19,680	−40.3
Shorts	do	15,990	6,180	−61.4
Middlings	do	10,570	8,715	−17.5
Cottonseed meal	do	246,600	133,000	−46.1
Soybean meal	do	6,663,000	6,254,600	−6.1

Audits of commission merchants' accounts.—During the year 649 audits of futures commission merchants were made. These audits covered the accounts of 33,270 customers who had to their credit $129,736,580.33 required to be segregated from the funds of the carrying broker. In addition to the 649 audits of customers' funds, 3 special audits were made involving various phases of trading. The number of audits made, the number of accounts examined, and the amount of customers' funds reflected by the books of futures commission merchants in fiscal 1957 showed an increase over the previous fiscal year.

In the course of the 649 audits, 365 deviations from the law or regulations were discovered. In most cases corrective measures were taken when the deviations were brought to the attention of the brokerage houses. In some cases it was necessary to refer the deviations to the Compliance and Trade Practice Division for the preparation of a formal complaint. In addition to the 365 deviations of registrants, 3 organizations were found to be acting as futures commission merchants without having been registered and were subsequently registered. During the year 577 futures commission merchants' financial statements were analyzed.

Compliance investigations data.—Investigations completed were slightly higher in number than in the preceding year. Five administrative complaints were issued. Perhaps the most important complaint issued climaxed an investigation of the egg market which had extended over 2 years and charged manipulation or attempted manipulation of two separate futures.

Proceedings on three administrative complaints were concluded during the year and resulted in the denial of the respondents' trading privileges for varying periods and the revocation of one trader's registration as a floor broker. One additional action, although administratively completed, was appealed to the United States Court of Appeals.

The backlog of 6 investigations remaining at the year-end is down sharply from the 11 at the previous year's close. However, the unusually large amount of time necessarily devoted during the past year to preparation for and trial of existing complaints is reflected by a decline of 6 in the number of investigations it was possible to begin.

Major activities of the Commodity Exchange Authority

	Actual		Estimated	
	1956	1957	1958	1959
I. Licensing:				
Futures commission merchants registered	595	579	580	580
Floor brokers registered	889	887	910	910
II. Supervision:				
Markets and commodities:				
Exchanges	17	17	16	16
Commodities	23	23	24	24
Markets (6 wheat markets, 3 cotton markets, etc.)	48	49	50	50
Reports tabulated and analyzed:				
Daily trading volume and open contracts	272,234	276,242	280,000	280,000
Daily and weekly reports on large traders	316,611	305,082	310,000	310,000
Delivery notices	34,358	37,189	38,000	38,000
Special calls and surveys	4	7	5	5
Accounts covered	2,271	5,787	6,000	6,000
General activities, including observance of trading, contact with exchange officials, establishment, review and enforcement of speculative limits, quotations service, price compilations, and review of market letters	(1)	(1)	(1)	(1)
III. Audits:				
Audits of customers' segregated funds	635	649	700	700
Accounts examined	27,889	33,270	34,000	34,000
Financial statements	596	577	580	580
IV. Investigations:				
Compliance investigations completed	44	48	50	55
Trade practice surveys completed	5	3	4	5
Number of transactions examined	62,602	6,100	35,000	50,000
Criminal prosecutions	0	0	2	1
Administrative proceedings	4	5	5	6

[1] No measure of workload available.

Mr. MARSHALL. We note that there is no change in the request made for 1959.

We will be glad to hear from you, Mr. Secretary. Do you have a statement which you wish to make?

GENERAL STATEMENT

Mr. PAARLBERG. Yes, I have a brief statement which I will read.

Mr. Chairman and members of the commitee, I am happy to give you an account of the work of the Commodity Exchange Authority, which regulates commodity futures trading on the principal exchanges.

The regulation of futures trading began with the Grain Futures Act of 1922, subsequently renamed the Commodity Exchange Act. Many commodities other than grain have since been added by congres-

sional enactment, the earliest in 1936, the latest in 1955, so that the regulatory work of the Commodity Exchange Authority involves a wide range of commodities and markets. Some of the 16 contract markets licensed under the act, such as the New York Cotton Exchange, conduct trading in a single commodity. Other exchanges, such as the Chicago and New York Mercantile Exchanges, have futures markets in 2 or more commodities—ranging up to 11 commodities on the Chicago Board of Trade.

MAJOR PURPOSES OF REGULATION

The major purposes of regulation include the prevention of price manipulation, market corners, and the dissemination of false and misleading information that may affect prices. Regulation is also designed to protect hedgers and other traders against cheating and fraud in commodity futures transactions, and to provide trust-fund treatment by brokers of the margin funds and equities belonging to their customers. A further purpose of the Commodity Exchange Act is to assure to farmers' cooperative associations the benefits of membership on contract markets. Still another purpose is to provide information to the public on trading operations in the markets.

PRICING AND MARKETING FUNCTIONS

The pricing and marketing functions of the futures markets are important to producers, cooperative associations, merchandisers, and processors. Futures prices are utilized in the daily pricing of cash or spot commodities, both by terminal market firms and by farmers and dealers at country points. Hedging in futures is engaged in extensively by commodity firms and farmer cooperatives as a means of offsetting or reducing price risks inherent in the purchase or ownership of cash commodities. While speculative trading in futures provides the market volume necessary for the continuous recording of prices and the ready accommodation of hedging orders, the susceptibility of speculative trading to manipulative activity renders Federal regulation necessary in the public interest.

REPORTING SYSTEM

Current basic data on futures trading are provided through the Commodity Exchange Authority's system of required daily reports from exchange clearing members, futures-commission merchants, and large traders. In the operation of this reporting system in 1957, with 1,000 to 1,500 brokers and traders reporting, an estimated 581,000 reports were received, processed, and analyzed. From these reports the CEA compiles the daily volume of trading, open contracts, and deliveries in the futures markets. Without the current market information obtained through the reporting system, the task of isolating and measuring the effect of large-trader operations, and of detecting price manipulation and other unlawful market practices, would be virtually impossible. The agency also utilizes the data obtained through the reporting system for the release of statistics on futures-market conditions. It regularly issues daily, monthly, and annual statistical re-

ports, as well as special surveys and reports dealing with sensitive market situations.

REGULATION OF BROKERAGE ACTIVITIES

The regulation of commodity brokerage activities by the Commodity Exchange Authority requires the annual registration of all floor brokers and futures-commission merchants in regulated commodities, and the maintenance of surveillance of their operations. Floor brokers registered in fiscal 1957 numbered 887. Futures commission merchants registered maintained 1,983 principal and branch offices at the close of the year.

Both figures were at record levels for the past 20 years. To determine whether the funds of brokers' customers are properly handled, the CEA periodically makes audits of all registered brokerage firms. Such audits numbered 649 in 1957, compared with 635 in 1956. The brokerage regulatory work affords vital information in conducting many of the agency's investigations. It is instrumental in maintaining surveillance of the complex broker-and-trader relationships which are often involved in detecting manipulative activities and violations of speculative trading limits. And it is important in the production of evidence in support of proceedings looking to the imposition of sanctions for violations of the statute.

ADMINISTRATIVE PROCEEDINGS

The suppression of price manipulation in wheat, eggs, and onions has been a major enforcement job over the past year. Lengthy administrative hearings were recently completed on a complaint charging a grain firm with wheat-price manipulation on the Kansas City Board of Trade. Recently completed hearings on a complaint charging price manipulation in onion futures on the Chicago Mercantile Exchange were even more lengthy and time consuming. To support the charges in these two heavily defended cases has required the presentation by the CEA of some of the most voluminous evidence in its 35-year history.

In a major egg manipulation case based on the CEA's investigations, the Department ordered the 15 speculators involved put out of the markets for periods ranging from 60 days to 1 year. The respondents, after exhausting every other resource, took the case to the United States court of appeals. The court recently upheld the Department's order. A complaint charging a Chicago broker with cheating and defrauding customers in lard-futures transactions on the Chicago Board of Trade resulted in the revocation of the Broker's registration and the denial of all trading privileges on all contract markets.

VOLUME OF TRADING

The total volume of trading supervised by the Commodity Exchange Authority in the markets and commodities within the purview of the act is an indication of the extent of its activities and responsibilities. When measured by the number of purchases and sales in terms of contract units, the trading volume for all commodities under the act is more than 8 million transactions annually. Trading in commodity futures and trading in stocks and bonds are quite different

and may be compared only in a limited way, but it is worth noting that the estimated dollar value of commodity futures trading under the Commodity Exchange Act is a little larger than the value of transactions in stocks and bonds on registered securities exchanges. The former was $35.9 billion in fiscal 1957; the latter $34.1 billion.

The budget estimate for enforcement of the Commodity Exchange Act for fiscal year 1959 is $832,000, which is the same as the appropriation for 1958. Mr. Kauffman and associates will be glad to discuss this item in detail if desired and answer any questions which the committee may have.

FEDERAL REGULATION OF SECURITIES

Mr. MARSHALL. Mr. Secretary, we note the amount of money in the budget, $832,000, for regulating this work.

Could you tell me how much is spent by the Federal Government to regulate the securities?

Mr. PAARLBERG. I don't know that. Perhaps Mr. Kauffman would know.

Mr. KAUFFMAN. Could you answer that, Mr. Bagnell?

Mr. BAGNELL. Yes, sir.

It is approximately 8 times this amount, Mr. Congressman, close to 7 million.

Mr. KAUFFMAN. Is that all appropriations available to SEC for registration of securities and regulation of trading in securities on the exchanges?

Mr. BAGNELL. That is their total budget.

Mr. KAUFFMAN. Entire budget?

Mr. BAGNELL. Yes.

Mr. MARSHALL. Now, I notice that you make comment about the suppression of price manipulation in reference to eggs, wheat, and onions.

What is the situation in regard to onions. We have heard about futures trading in onions. What is the present situation?

ONION LEGISLATION

Mr. PAARLBERG. Well, as I understand it—Mr. Kauffman can correct me if I am in error—there is legislation now before the Congress which would bar trade in onion futures. I believe that this legislation is now in the House of Representatives. I do not believe that it has yet come up in the Senate. Is that right Mr. Kauffman?

Mr. KAUFFMAN. The Senate bill is still in the Senate committee.

Mr. MARSHALL. What is the attitude of the Department in connection with that legislation?

Mr. KAUFFMAN. The Department's position has been neutral. It recognizes that there is just no way of avoiding the wide price fluctuations that have been historic in the marketing of onions. There is very inelastic demand. The supply is very elastic, and the Department was careful to point that out in its report on the bill adding onions to the Commodity Exchange Act.

It seems to appeal to a type of speculator who is interested in short-term gains. We find that the speculators enter and leave the market with great rapidity. And we have not found that it was used to a

material extent in the marketing of onions.

On the other hand, we do not believe that prohibiting futures trading in onions would by any means be a panacea with respect to the prevention of price fluctuations in onions, which have been observed for many, many years before the advent of futures trading.

Mr. MARSHALL. When were onions brought under the act?

Mr. KAUFFMAN. In September of 1955.

Mr. MARSHALL. September of 1955. And these price fluctuations existed in the onion market before the onions were brought under the act?

Mr. KAUFFMAN. Yes; we have compiled data going back at least 37 years, and there is no change of significance with respect to the extent of long-term fluctuations prior to the time that futures trading attained substantial volume and since that time.

EGG FUTURES AND DELIVERIES

Mr. MARSHALL. In connection with eggs, has the margin been raised in the last 2 years?

Mr. KAUFFMAN. The margin required of speculators in eggs has not been increased, Mr. Chairman. The minimum margin required under the rules of the Chicago Mercantile Exchange is approximately 3½ cents per dozen. I am wondering whether you may not be thinking, possibly, of the penalty imposed upon defaults on delivery of eggs; whether you may not have given that some thought.

At one time there was objection raised to that on the ground that the penalty was regarded by many as being too light, so light that it encouraged default. At that time, they had a procedure whereby a committee of exchange members was delegated the task of determining the fair market value of eggs in the event of default, so that the defaulter had to settle upon the basis of that price. Then, in addition, there was also provision for a penalty of not to exceed 5 cents a dozen for default, which the defaulter had to pay in addition to settlement at the fair market price.

The last default in the egg futures market was in December of 1952. There has been no default since, and the procedure in event of default was changed. It was changed in 1954, so there is no longer any specific penalty. The fair market price is determined and used as a basis, and the penalty for the intentional default is suspension or expulsion from the exchange.

Mr. MARSHALL. Of course, there is no question but what expulsion from the exchange would be pretty drastic treatment.

But a few years ago there seemed to be an impression among some of the egg sellers that this margin of hedging and penalty was so low as to not mean anything in regulating the delivery of eggs. They objected to that because they felt that that was extremely unfair to the people who are engaging in cash market operations.

Mr. KAUFFMAN. They were objecting to the penalty in the event of default, rather than to the margin, per se, I take it.

Mr. MARSHALL. That is right.

Mr. KAUFFMAN. There are two sides, of course, to having a specific penalty in the event of default. It is often used as an additional tool on the part of the fellow who is trying to run a corner. The more

severe, of course, the penalty for not delivering, the more it plays into the hands of the long speculator who is trying to manipulate prices and corner the market. So, I think there are some points in favor of having no specific penalty, of requiring settlement on the basis of a fair market price, and, in the event of an intentional default, subjecting the offender to expulsion from the market. The present exchange rule makes provision also for the assessment of liquidated damages incident to default.

WIDE VARIATION IN FUTURES TRADING

Mr. MARSHALL. We note on page 149 of your justification that there seems to be quite a wide variation in percentage of increase or decrease in the futures trading on all contract markets combined, by commodities. What is the reason for that?

Mr. KAUFFMAN. Yes; it varies widely from year to year by commodities. The increase in the wheat volume, the last fiscal year, was due very largely to the partial return of the movement of wheat from the Government to trade channels, and the use of the wheat-futures market for hedging increased greatly and, just in the last 2 months, the use of the cotton-futures market for hedging has increased substantially.

FUTURES TRADING IN COTTON

The Government has made substantial sales of cotton for unrestricted use to domestic users. Sales have to be made at not less than 105 percent of parity plus certain stipulated costs, and the purchasers of that cotton have been going into the futures market and hedging their inventories, and that has increased the use of the cotton-futures market recently.

FUTURES TRADING IN ONIONS AND POTATOES

Onions had a substantial decrease during the last fiscal year and, since then, the volume has decreased even more. Figures for the 7 months, from July 1 through January 31, of this year, show a reduction in volume of onion-futures trading of about 46 percent. The market has been much more stable than in some seasons.

There has been a tremendous volume in potatoes recently. An all-time daily record was recorded within the past week on the New York Mercantile Exchange. Prices are strong at present on account of weather conditions in the South, which also are supposed to be a material factor in the increase in onion-futures prices recently. Heavy rains down in Texas may delay the movement of the early Texas crop which usually start to market along in March.

So that both the potato and onion markets are very strong.

FUTURES TRADING IN RYE

Mr. MARSHALL. It is interesting, in looking over this table, to see that there is an increase in the futures trading in rye, 59.1 percent, which leads me to comment that a year ago, Mr. Andersen, you and I questioned the Secretary concerning his lowering of the price support on rye. This points out that now the trade is optimistic, which must be because of the projected rye market and getting into the futures

trading, which would point out that you and I were on the right track a year ago.

Mr. PAARLBERG. The rye crop was short, and it is one of the few commodities which was not in surplus.

Mr. MARSHALL. Which was also true insofar as projected market was concerned when we talked to the Secretary about lowering the price support on it, too, Mr. Paarlberg.

Mr. PAARLBERG. I think that was before we had our planting intentions from the farmers. We were not sure what the acreage of rye would be at that time, as I recall it.

WORKLOAD

Mr. MARSHALL. Could you comment on your workload, as to how that compares with a year ago?

Mr. KAUFFMAN. Any specific observations on that, Mr. Bagnell?

Mr. BAGNELL. Well, I would say as far as the statistical presentation is concerned there are no material differences. The aspect of our workload is very hard to present accurately from a statistical point of view. For example, there we have this matter of investigations under item 4. You see down there administrative proceedings. We have 4 in 1956, 5 in 1958. We are estimating 6 in 1959.

ADMINISTRATIVE PROCEEDINGS

Now one of those administrative proceedings can take months and months of arduous labor, employing a great deal of time, very voluminous stenographic records, a lot of travel time.

On the other hand, it could be that all six could be settled by across-the-table negotiations with practically no expense at all.

Actually, the cases mentioned by Dr. Paarlberg and Mr. Kauffman which we have been faced with recently were very vigorously defended, with the result that we have had very voluminous records, and I would say that from the point of view of workload on a strict compliance function, that we have had during the past year a considerably larger burden and that the present outlook is that it will not be diminished.

MARKET SURVEY

We recently completed a survey on one of our larger markets examining the details of execution of transactions and from that we are afraid we are going to have to file some half dozen complaints.

They have not been filed yet but the likelihood is we will have to file them, so that we anticipate quite an enforcement program.

ENFORCEMENT ACTIVITY BY EXCHANGES

As a side line on that enforcement activity, we have been trying very hard the last year or two to encourage the exchanges to assume as much of the enforcement burden as they can because we know that in some aspects of enforcement an earnest exchange committee, made up of members, could do things with an expedition that under the machinery of law is sometimes impossible and can do things that we do not even have authority for.

For example, in one of the exchanges not so long ago we found that a man had in execution of trades for customers apparently benefited

personally to the disadvantage of the customers. We put him off the market. But the exchange has been able to go one step further. They required him to make restitution to his customers of the amount that he had, I would not say stolen, but that he had gotten by means of things that were very questionable.

Of course, we had no authority under the law to do that, but we do earnestly encourage the exchanges in their attempts.

I think there is plenty of room for activity by both of us.

NUMBER OF VIOLATIONS

Mr. MARSHALL. How many violations did you have last year.

Mr. BAGNELL. Well, as to the actual number of violations, we had between 40 and 50 investigations, only 5 of which resulted in filing of complaints.

Mr. MARSHALL. Now, as to these five complaints that you had filed, what hapened to each one of those?

Mr. BAGNELL. Well, some of them are in various stages of prosecution. We have not lost any of them. They resulted in the denial of trading privileges for various lengths of time, ranging from indefinite, that is, until further notice by the Secretary, on down to a few days' time in minor cases.

CASES REFERRED TO DEPARTMENT OF JUSTICE

We also refer those cases regularly to the Department of Justice and where there is evidence that will stand up in a criminal prosecution and where we think and Justice thinks that the administrative sanctions that we have been able to impose have not cleared the matter up, they do institute criminal prosecution. We have had cases with a rather substantial fine and put 1 or 2 people in jail.

Mr. MARSHALL. Do you have any cases of long duration?

Mr. BAGNELL. Oh, yes, because as you understand, sir, the first thing is we have to get this in order for presentation by the Government and it frequently involves rather complex economic data. Then we have the administrative hearings, and a skilled defense lawyer can delay those quite a little bit. He may even try to get an injunction against the Secretary to prevent the hearing.

When we finally complete the hearing and get an order it can be appealed to the United States Court of Appeals.

Mr. MARSHALL. How many violations do you have that are over a year old?

Mr. BAGNELL. I believe we have three pending now.

Mr. MARSHALL. You have 3 pending that are over a year old and 5 pending as of this year?

Mr. BAGNELL. Yes, sir, I think that is correct.

Mr. MARSHALL. Out of all of this maze of trading that we have on futures throughout the country, only eight cases.

MINOR VIOLATIONS SETTLED THROUGH EXCHANGES

Mr. BAGNELL. Well, I would not want you to think that we have found only 8 abuses or 8 violations.

For example, in the case of a survey we have recently completed in Chicago, it has been our practice when we find a large number of

violations which are clearly violations of law but we do not think severely influence the market from the point of view of price manipulation or involve actual fraud against the customers, our practice has been to meet with the governing boards of the markets and outline to them that we have found a stated number of instances of this type in violation. We do not even tell them who did it; and we have had generally pretty good cooperation from the exchanges, and they would set up a committee who would deal with that sort of thing. It would be utterly impossible for us to bring charges, we would be so swamped with cases, that these large cases we have talked about would just fall by the wayside.

We have to pick out on a selective basis the cases where the manipulations are on a scale that is detrimental to the market, where people are being cheated and when we get through with those, we find our money gone. We can't get into many others.

AUDITS

Mr. NATCHER. On page 150 of the justifications, I see where some 649 audits were made and about 365 deviations from the law or regulations were discovered.

Now, did this take place during the past calendar year?

Mr. KAUFFMAN. Past fiscal year.

Mr. NATCHER. Past fiscal year.

Now, tell me this: How often do you make your audits? Are your audits set up on an annual basis or do you get to them when you can or just what procedure do you follow?

Mr. BAGNELL. As a part of the registration process futures commission merchants are required to file with us a financial statement every year.

Now from that financial statement and from our general knowledge of the character of the firm, we endeavor to again select those that we think need auditing first.

We try to get around to each firm every year.

Now these deviations that are mentioned here involve failure to properly segregate or record the margin money deposited by customers. Frequently that is a matter of sloppy bookkeeping. If we find a case where money was misappropriated that would result in very prompt action administratively and we would take it to Justice for criminal prosecution.

But even these that are merely technical violations are potentially serious because if they practice irregular bookkeeping long enough that can readily lead into a situation where it will be shortage of funds.

Mr. NATCHER. But they have no notice that an audit is to take place?

Mr. BAGNELL. Oh, none whatever.

Mr. NATCHER. I believe that the Commodity Exchange Authority plays an important role in agriculture and the fact that we have this authority in existence is good in itself.

Mr. PAARLBERG. We thoroughly agree with that.

Mr. NATCHER. I want to commend you gentlemen. I think you are doing a good job.

Mr. KAUFFMAN. Thank you.

Mr. NATCHER. That is all, Mr. Chairman.
Mr. MARSHALL. Mr. Andersen.

FUTURES TRADING IN BUTTER

Mr. ANDERSEN. Mr. Kauffman, I am looking at the table on page 149, the blue sheet of the justifications. Can you explain to me why it is that in relation to the volume of futures trading that the futures trading in butter, for example, in 1955–56 was 73 carlots, while in 1956–57 that had fallen to two carlots.

Now just what——

Mr. KAUFFMAN. Well, trading in butter on the organized exchanges, Mr. Andersen, has been well nigh nonexistent for several years. Government price support activities are largely responsible for the practical suspension of trading in butter some years ago.

So that for practical purposes you might well say that there is no futures trading in butter. There has not been a single carlot traded in for some time.

FUTURES TRADING IN WOOL

Mr. ANDERSEN. How do you explain the difference relative to wool. Wool has increased by 87 percent over the same period and certainly the price supports on wool are much higher proportionately than those relative to butter.

Now how do you account for that?

Mr. PAARLBERG. The wool supports leave the market free. As you recognize, there is a payment made to the farmer for the difference between——

Mr. ANDERSEN. That is correct, under the Wool Act.

Mr. PAARLBERG. So that the market there is free to fluctuate and all the merchant interests and the speculator interests have an active market to which they could look.

I would think that would be the difference.

Mr. KAUFFMAN. And of course wool is imported in large quantities also.

Mr. ANDERSEN. Now, Mr. Paarlberg, do you feel that is the only answer?

Mr. PAARLBERG. Well, I think that also during this past year the wool market became quite active in connection with the Suez scare. The wool market rose and at such a time there ordinarily is increased interest in speculation in such a commodity. That would be true, would it not?

Mr. KAUFFMAN. That is correct.

Mr. PAARLBERG. I think there was not only the freedom to fluctuate but the fact that we had the Suez scare and quite a speculative movement in wool markets throughout the world.

Mr. ANDERSEN. I believe we had about 82 percent price supports on butter, did we not, in the past year?

Mr. PAARLBERG. 82 or 83, I am not sure.

FUTURES TRADING IN CORN

Mr. ANDERSEN. Now, I am looking over the corn situation. The trading in corn futures has also fallen over that same period by 17.6

percent. Well, would you say then in connection with corn that there is a lack of interest there also, due to what factors?

Mr. PAARLBERG. I would be somewhat at a loss to explain that difference, Congressman. Maybe Mr. Bagnell or Mr. Kauffman could explain that. That is a relatively——

Mr. ANDERSEN. Now, the price supports on corn are a little bit lower percentagewise than those on butter.

Mr. PAARLBERG. Yes. I think the pertinent thing is not so much the level of support in percentage of parity but whether the market is fluctuating around or above or below that level.

Mr. KAUFFMAN. I think that is the important thing.

Mr. ANDERSEN. Well, now, on the one hand we have high price supports through the Wool Act but still you say we have a free market.

Mr. PAARLBERG. Yes.

VOLUME OF TRADING

Mr. ANDERSEN. And that has resulted in 87 percent increase in trading. I have always felt that from a farmer's viewpoint the increase in trading in futures generally reacted to the benefit of a better price level. That has always been my feeling throughout the years as a farmer.

Mr. PAARLBERG. A rising price is associated with increased trading.

Mr. ANDERSEN. With a bull market.

Mr. PAARLBERG. With a bull market.

Mr. ANDERSEN. That is right.

Mr. PAARLBERG. Now, whether it is the trading that drives up the price or the rising price that stimulates the speculative interest, I guess that is one you could argue about a long time.

Mr. ANDERSEN. Yes. But this is a rather interesting table because to me this table would more or less condemn the low price supports as inimicable to the best interests of agriculture because the lower the price supports the less interest, eventually—at least as far as butter and corn are concerned—on the part of the trading fraternity. The two are often coupled together.

Mr. KAUFFMAN. I have never associated, Mr. Andersen, a volume of trading increase or decrease with the best interests of agriculture generally because there are so many factors in there that determine an increase or decrease in volume of trading. Many speculators at times appear to trade largely by whim or caprice. They may leave one commodity and go to another that they think offers better opportunity, so that the mere fact that volume has increased or decreased, I do not believe, would be a significant factor to measure the general welfare of agriculture or any other segment.

CORN FUTURES PRICES

Mr. ANDERSEN. Well, Mr. Kauffman, I have been curious lately about the very low futures market on corn. It seems to me that when they quote about $1.10 or so in Chicago for next December corn they are getting mighty low for some reason when we have probably a billion bushels of the corn crop in the classification of wet corn and unmarketable.

That will probably cut down the actual marketing of good corn by at least 15 percent. So how do you account for that? Why wouldn't they be more interested in futures of next December?

Mr. KAUFFMAN. I do not believe they are trading in——

Mr. ANDERSEN. There is very little trading in it at present.

Mr. KAUFFMAN. Yes, there is very little trading. It closed yesterday at $1.14½.

Mr. ANDERSEN. In Chicago?

Mr. KAUFFMAN. In Chicago.

Mr. ANDERSEN. Which means about, oh, 95 cents cash going at that time in my area in southwestern Minnesota.

Mr. PAARLBERG. If I may comment on that, Congressman.

Mr. ANDERSEN. Yes.

Mr. PAARLBERG. I would say that a price like that in December would indicate that the trade believes that the corn production in 1958 will probably be considerable.

Mr. ANDERSEN. They are gambling on that, of course.

Mr. PAARLBERG. That the soil bank in the effort to control the acreage will not result in really restricting the supply of corn and of course what you say is true, that a lot of the corn harvested in 1957 is not of merchantable quality and cannot be long stored.

Mr. ANDERSEN. That is correct.

Mr. PAARLBERG. But there is a good deal of corn in storage, good quality, that CCC handles that does pose an eventual market supply.

CCC DISPOSAL POLICY

Mr. ANDERSEN. Now we were getting to the subject. It leads me to another question and this is largely a matter of exploring the field, you might say.

I have heard criticism about Commodity Credit and the manner in which they dump their holdings on the terminal markets in Chicago and elsewhere at a time when it seems they would serve the best interests of agriculture if they would be a little slow in doing so.

Now who determines as to when that corn shall be put on the general market?

Mr. PAARLBERG. These matters are generally discussed in the CCC Board, Congressman Andersen.

Mr. ANDERSEN. Well, it is not just a determination of 1 or 2 men, is it?

Mr. PAARLBERG. No; it is discussed in the Board.

Mr. ANDERSEN. Are there representations present beyond just purely the business transaction involved?

Mr. PAARLBERG. Oh, yes.

Mr. ANDERSEN. Are there representations present to consider possible effect on lowering the price on the other agricultural commodities?

Mr. PAARLBERG. Oh, yes. We have to balance these things against one another. For example, we want to move corn into export so as to reduce our supplies. Well, in order to do that, it moves through the markets in the large volume. That sometimes has a bearish effect. Sometimes we have to move it, as you know, if there is danger of it going out of condition.

And we have to choose between the two evils of either moving a lot of this questionable stuff with a bearish effect or having it go bad in our hands which would also be very unfortunate.

Mr. ANDERSEN. Mr. Paarlberg, you do assure this committee that the Board is very careful in making determinations when to sell.

Mr. PAARLBERG. Oh, yes, sir. We review the policies at length.

Mr. ANDERSEN. Mr. Chairman, I have no questions on the general operations of the Authority. I think they are doing a good job.

Mr. MARSHALL. Mr. Horan.

Mr. HORAN. I would just like to again say it is good to see Mr. Kauffman again; also Mr. Bagnell, and Mr. Currie.

No questions.

Mr. MARSHALL. Are there any other questions?

Mr. HORAN. Mr. Chairman, I want to include Dr. Paarlberg, too, in my felicitations.

Mr. PAARLBERG. Thank you.

Mr. MARSHALL. We thank you.

FEDERAL CROP INSURANCE CORPORATION

WITNESSES

MARVIN L. McLAIN, ASSISTANT SECRETARY OF AGRICULTURE
F. N. McCARTNEY, MANAGER
C. A. FRETTS, ASSISTANT MANAGER
E. H. NIKKEL, DIRECTOR, SALES AND SERVICING DIVISION
G. E. EVANS, DIRECTOR, FINANCE DIVISION
M. E. COLBY, DIRECTOR, UNDERWRITING DIVISION
J. P. SKEFFINGTON, CHIEF, BUDGET BRANCH
LEE A. DASHNER, DEPUTY DIRECTOR OF FINANCE

OPERATING AND ADMINISTRATIVE EXPENSES

Program and financing

	1957 actual	1958 estimate	1959 estimate
Program by activities:			
1. Underwriting and actuarial analysis	$673,849	$881,000	$857,000
2. Contract sales and servicing	4,823,164	4,840,700	4,815,700
3. Crop inspections and loss adjustments	712,987	655,000	704,000
Total obligations	6,210,000	6,376,700	6,376,700
Financing: Appropriation (new obligational authority)	6,210,000	6,376,700	6,376,700

Object classification

		1957 actual	1958 estimate	1959 estimate
	Total number of permanent positions	589	583	582
	Full-time equivalent of all other positions	219	282	277
	Average number of all employees	716	834	831
	Number of employees at end of year	1,250	1,414	1,436
	Average GS grade and salary	5.7 $4,639	5.7 $4,670	5.7 $4,760
01	Personal services:			
	Permanent positions	$2,378,218	$2,638,206	$2,684,849
	Positions other than permanent	816,751	1,046,714	1,030,031
	Other personal services	799	9,540	9,780
	Total personal services	3,195,768	3,694,460	3,724,660
02	Travel	886,760	1,062,500	1,063,200
03	Transportation of things	10,386	35,000	20,800
04	Communication services	139,397	192,000	192,000
05	Rents and utility services	122,948	225,500	207,000
06	Printing and reproduction	44,902	95,000	95,000
07	Other contractual services	26,064	46,900	46,900
	Agents' commission	1,612,520	659,390	659,390
	Services performed by other agencies	60,300	57,550	57,550
08	Supplies and materials	55,615	62,000	62,000
09	Equipment	34,106	50,000	50,000
11	Grants, subsidies, and contributions		166,700	169,000
13	Refunds, awards, and indemnities	2,405	5,000	5,000
15	Taxes and assessments	18,829	24,700	24,200
	Total obligations	6,210,000	6,376,700	6,376,700

Mr. MARSHALL. We now come to Federal crop insurance. At this point, we will insert pages 249 to 269 of the justification.

(The material referred to is as follows:)

PURPOSE STATEMENT

The Federal Crop Insurance Corporation is a wholly-owned Government corporation created February 16, 1938 (7 U. S. C. 1501), to carry out the Federal Crop Insurance Act. The purpose of this act is to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance and providing the means for research and experience helpful in devising and establishing such insurance.

Crop insurance offered to agricultural producers by the corporation povides protection from losses caused by unavoidable natural hazards, such as insect and wildlife damage, plant diseases, fire, drought, flood, wind, and other weather conditions. It does not indemnify producers for losses resulting from negligence or failure to observe good farming practices.

In accordance with the established policy of limited operations on an experimental basis, the 1958 crop-insurance program will operate in 818 counties, furnishing insurance coverage of approximately $334 million on wheat, cotton, flax, corn, tobacco, beans, citrus, multiple crops, soybeans, barley, and peaches. It is estimated that 365,000 crops will be insured for the 1958 crop year, as compared to 318,000 for the 1957 crop year.

Summary of insurance operations and changes in capital

	Fiscal years		
	1957	1958	1959
Net capital at beginning of year	$15,294,401	$21,538,135	$25,501,335
Additions to capital during the year:			
Insurance premiums (net)	22,145,058	17,326,200	24,129,000
Interest and other income	851,997	120,000	100,000
Subscription to capital stock	13,000,000		
Total capital available for insurance operations during year	51,291,456	38,984,335	49,730,335
Deductions from capital during the year:			
Insurance indemnities	27,888,657	10,460,000	21,716,000
Loss adjustment and inspection costs	913,224	850,000	940,000
Administrative expenses charged to program operations	45,488	2,000,000	2,000,000
Provision for estimated bad debts	905,952	173,000	241,000
Total deductions from capital	29,753,321	13,483,000	24,897,000
Net capital at end of year	21,538,135	25,501,335	24,833,335

The crop-insurance programs are developed and analysed in the Washington headquarters office and are administered in the field by 22 State or area offices. Sales and servicing of contracts at the county level is performed by private agents under contractual agreements with the Corporation, and by Federal Crop Insurance Corporation employees hired on a temporary basis. Detailed program accounting and statistical functions are performed by a branch office in Chicago.

As of November 30, 1957, the Corporation employed 505 full-time employees, 102 of whom were in Washington and the balance in the field, and 612 part-time employees, all in the field.

	Appropriated, 1958	Budget estimate, 1959
Operating expenses:		
Appropriation	$6,376,700	$6,376,700
Payable from premium income	2,000,000	2,000,000
Total	8,376,700	8,376,700

Operating and administrative expenses

	Appropriation	Administrative expenses payable from premium income	Total
Appropriation act, 1958 and base for 1959	$6,376,700	$2,000,000	$8,376,700
Budget estimate, 1959	6,376,700	2,000,000	8,376,700

NOTE.—The 1959 budget estimate includes $2,000,000 for operating and administrative expenses of the Corporation payable from premium income. For clarification and completeness, the following schedules and justification explain the total estimate of $8,376,700 required for administrative expenses, consisting of $6,376,700 direct appropriation and $2,000,000 payable from premium income.

Project statement

Project	1957	1958 (estimated)	Adjustments between projects	1959 (estimated)
1. Underwriting and actuarial analysis	$673,849	$881,000	−$24,000	$857,000
2. Contract sales and servicing	4,868,652	6,840,700	−25,000	6,815,700
3. Crop inspection and loss adjustments	712,987	655,000	+49,000	704,000
Total available or estimate	6,255,488	8,376,700		8,376,700
Deduct obligations payable from premium income	45,488	2,000,000		2,000,000
Total appropriation or estimate	6,210,000	6,376,700		6,376,700

GENERAL

The Federal Crop Insurance Corporation has as its objective the promotion of the national welfare by improving the economic stability of agriculture through a sound system of crop insurance. The budget estimate for fiscal year 1959 is designed as an integral part of the long-range plans to accomplish this purpose. Corporation and private insurance experts have consistently maintained that a sound program cannot be developed unless a broader insurance base is obtained and the heavy concentration of risk in the major wheat producing areas is offset by additional participation in other areas and crops.

BASIS FOR 1959 ESTIMATE

The program planned for the 1959 fiscal year is a continuation of concerted efforts to increase premium income and spread the concentration of risk which is urgently needed for a sound program. The budgeted workload for fiscal year 1959 is 380,000 crops insured as compared to 365,000 for fiscal year 1958. No net increase in counties is planned for 1959; however, insurance on additional crops will be offered in some of the 818 counties where insurance is already available.

The total program costs, explained more in detail below, will continue in fiscal year 1959 at the same level as in 1958. However, changes in the distribution of indirect costs because of the increase in the direct cost of loss adjustment for 1959 will result in minor adjustments between activities.

EXPLANATION OF OBLIGATION BY PROJECTS

1. Underwriting and actuarial analysis

The Underwriting Division of the Corporation is responsible for the important function of establishing premium rates and coverages at a level which over a period of time will provide adequate premiums to cover losses incurred on insured crops, and provide a reasonable reserve. In establishing rates and coverages due consideration must be given to the ratio of premium to coverage as compared to risk insured, as the protection offered must appeal to farmers as being economically sound if an effective sales program is to be conducted and a broad base of participation acquired and maintained.

Review of rates and coverages.—In 1959 the complete and comprehensive review of rates and coverages by crops, begun in 1958, will be continued as rapidly as possible. In past years the Corporation had followed the pattern of incorporating the prior year's experience into the current year's premium rates and coverages. This was necessary because of the limited experience available upon which to base rates and coverages. This method of operation, while necessary in the earlier years of the experimental program, created problems in the administration of effective and economical sales programs. Beginning in 1958 the complete review of rates and coverages was begun by crops on a cycle basis instead of on an annual basis, which permits rates and coverages to remain stable for several years on each crop, and in turn provides longer periods for sales programs to be carried out. However, should experience over several years in some areas be extremely adverse, it may become necessary to adjust rates and coverages there before the time scheduled for a complete reworking of the crop.

Extension of standard policy.—The new standard policy developed in 1957, and approved for use by the Board of Directors beginning with 1958 spring crops, will be extended to winter crops in 1959. The new policy was designed to replace 8 policies in effect for the individual crops insured, and the 1 policy used on a limited scale in counties where more than 1 crop is insured. It also provides for insuring one or more crops under the same policy, whereas in the past a new policy had to be issued each time insurance was offered on a new crop. This will aid the Corporation in reaching its current planned objective of increasing premium income and spreading the insured risk to lower risk areas by allowing for a more rapid inclusion of additional crops in the program. Additional improved features of the new policy are a minimum premium on each insured crop, more uniform cancellation dates, and a more uniform system for adjusting losses.

Crop production and yield statistics.—Historical yield and production data by farming practice is used in the development and revision of crop insurance rates and coverages, and is required annually on approximately 21 commodities for counties in which the Corporation is offering insurance. As this necessary data would be extremely costly to obtain if Corporation personnel were used, an agreement has been effected with other Government agencies to supply the data from records already compiled for other purposes.

The estimated workload and costs for fiscal years 1958 and 1959 are as follows:

Underwriting and actuarial analysis

[818 counties]

	Fiscal year 1958	Fiscal year 1959	Decrease
1. County survey work	$127,450	$106,067	−$21,383
2. Crop production and acreage yield statistics	47,050	47,050	
3. State, branch, and headquarters servicing costs	706,500	703,883	−2,617
Total cost	881,000	857,000	−24,000

2. Contract sales and servicing

Continued emphasis on sales and servicing in 1959.—The sales and servicing activity is the largest activity of the three (sales, underwriting, and loss adjustment) and comprises approximately 75 percent of the total funds estimated for operating and administrative expenses. To improve the soundness of the crop-insurance program and to extend its services to more of the Nation's farmers, increasing emphasis must be given to expanding participation. The expansion in volume of business is a basic prerequisite to increased premium income, as well as the spreading of the heavy concentration of risk, which is urgently needed to offset the heavy concentration of risk in the major wheat-producing areas. To effect progress toward these vital objectives, the corporation is taking the following actions:

(*a*) The annual issue dates of official rates and coverages is being revised to provide a longer sales period than had been possible in the past under the policy of incorporating unfavorable loss experience into the following year's rates. Early sales campaigns conducted without coverages and rates have been tried, and experience indicates that the results obtained were not commensurate with the costs. It was, therefore, necessary to establish intensified sales programs the last few weeks before closing dates for sales. This limited the final participation results each year because qualified sales personnel had insufficient time in which to contact the potential insureds. Issuance of rates and coverages many months earlier than in the past also provides for better utilization and development of the limited sales corps of experienced key fieldmen which the corporation has been training and developing for several years.

(*b*) The change in underwriting policy to permit coverages and rates to remain unchanged for a period of years will tend to lower the percentage of contracts canceled each year and will extend the time in which sound selling efforts can be made. Under this plan, coverages and rates for only 1 or 2 crops will be reworked each year, leaving the remainder of the county coverages and rates constant.

(c) In fiscal years 1958 and 1959, insurance will be offered on additional crops in a number of counties in the lower risk areas. This will increase premium income in the diversified farming counties of the Midwest and offset to a great extent the heavy concentration of risk which exists in the major wheat-producing areas. In addition, the increase of premium income resulting from the addition of insurable crops, will make the crop-insurance agency more attractive to qualified persons in those counties where it has been difficult to get or maintain a capable agent because of the low potential earning power. In the counties where the agency system is in operation, the increased potential earnings will provide the agents with additional incentive to spend more time in selling and servicing the program, thereby increasing the effectiveness and efficiency of the administration of the program at the county level.

The budgeted workload for the 1958 and 1959 crop years, by commodities, is as follows:

Sales summary by commodity—Crop year 1958

Commodity	1957 crops insured	Carryover from 1957	Crop year 1958 sales			1958 crops insured
			Replacement of cancellations	Increase in participation	Total	
Barley	2,430	2,100	330	2,770	3,100	5,200
Beans	3,539	2,600	939	461	1,400	4,000
Citrus	286	200	86	414	500	700
Corn	52,536	37,500	15,036	11,464	26,500	64,000
Cotton	25,451	12,000	13,451	2,549	16,000	28,000
Flax	15,907	12,700	3,207	1,093	4,300	17,000
Multiple	30,009	25,400	4,609	1,991	6,600	32,000
Peaches	92		92	8	100	100
Soybeans	8,997	5,800	3,197	16,003	19,200	25,000
Tobacco	71,516	47,800	23,716	4,484	28,200	76,000
Wheat	107,638	86,000	21,638	5,362	27,000	113,000
Total	318,401	232,100	86,301	46,599	132,900	365,000

Sales summary by commodity—Crop year 1959

Commodity	1958 crops insured	Carryover from 1958	Crop year 1959 sales			1959 crops insured
			Replacement of cancellations	Increase in participation	Total	
Barley	5,200	4,400	800	800	1,600	6,000
Beans	4,000	3,000	1,000		1,000	4,000
Citrus	700	500	200		200	700
Corn	64,000	46,000	18,000	3,300	21,300	67,300
Cotton	28,000	14,000	14,000	1,000	15,000	29,000
Flax	17,000	13,700	3,300		3,300	17,000
Multiple	32,000	25,000	5,000		5,000	30,000
Peaches	100		100	100	200	200
Soybeans	25,000	16,000	9,000	2,600	11,600	27,600
Tobacco	76,000	51,000	25,000	2,500	27,500	78,500
Wheat	113,000	92,000	23,000	4,700	27,700	119,700
Total	365,000	265,600	99,400	15,000	114,400	380,000

County administration of the program.—The Corporation at present has approximately 430 agents under contractual agreement whereby they are paid on a commission basis for services performed. Under this agreement, agents are required to maintain an office as a service center for policyholders and prospective insureds where they can obtain information about their policies and the program, to provide assistance in filing acreage reports and notices of loss and to collect premiums due. The agreement further provides that unless these functions are performed for each policy, the agent is not entitled to his commission on the policy. Agents also are responsible for conducting the program so as to maintain maximum participation by the acquisition of new policyholders

and by reselling the program to the maximum number possible that decide to drop the protection. Present agents' commission rates are as follows:

New contracts	$5 + 12½ percent of premium collected.
Carryover contracts	$4 + 5 percent of premium collected, but not to exceed an average of $20 a contract.
Select multiple contracts	Carryover and new sales commission rates apply, except that $4 additional is paid for each crop in excess of 1 earning a premium under the contract. The carryover rate is used for the current addition of a crop to a contract in force the prior year except that the first year insurance is offered on a crop in a county, the commission rate is 12½ percent of the premium collected.
Multiple acreage reports	$1 additional for each fall acreage report obtained from a policyholder whose contract also covers spring planted crops.
Collection of old accounts	5 percent of amount collected or $4 per account, whichever is greater, except that the collection fee shall not exceed 25 percent of the amount collected.
Sharecroppers	$1 for each person in excess of 1 insured under a contract.

Experience since 1954, when the agency system of operating crop insurance was initiated, indicates that an effective and efficient agency system is the most satisfactory method for handling crop insurance. However, development of an effective agency system in all counties has not been possible because potential earnings in some counties have not been sufficient to attract and hold personnel with the ability and time required for sound county administration. Gradually the problems involved in the search for personnel whose time and ability fit the job can be solved, but a different method of handling these counties is required during this process. The Corporation has developed and is using a modified agent's agreement in these counties and others where emergency situations such as death, etc., make changes necessary. This agreement provides that the agent must provide a service center for insurance operations in the county and carry out the servicing functions of assisting policyholders in filing acreage reports and notices of loss, forwarding the various insurance forms and reports to the State and branch offices, and collecting the premiums. The necessary fieldwork, including the sale of new business, is performed by per diem personnel of the Corporation (fieldmen or adjusters). Except in counties in which participation and premium volume is good, this method of operation is not as economical as the agency method where the agents' commissions are based directly on the results obtained. During 1958 and 1959, efforts to convert the service-agreement counties where operating costs exceed commission-agent costs will be intensified. The addition of insurable crops in counties will provide increased potential agents' earnings in some of the lower-risk areas and make it possible to acquire capable agents and a more satisfactory county operation from the standpoint of the farmers and the Corporation.

Carryover business.—The insurance contract utilized by the Corporation contains a provision which enables the contract to remain in effect on a continuing basis unless the premium is not paid or the insured or the Corporation cancels the policy by a specified date. This eliminates the necessity and cost of rewriting all business each year and provides for the building of an expanding volume of continuous policyholders. Previously explained changes in underwriting plans and practices will work toward giving agents and fieldmen an opportunity to reduce the percentage of cancellations and thus expand the volume of carryover business. Economic conditions, uncertainty regarding the future farm policies, and other programs serve to stimulate cancellations in some years, as well as changes in the insurance rates or dissatisfaction with the amount of coverage offered. The following table summarizes the cancellations by crops for 1956:

Cancellation rate, 1956 (percent)

	Producer	Corporation	Total
Barley	12	3	15
Beans	16	8	24
Corn	20	4	24
Cotton	26	24	50
Flax	12	6	18
Multiple	17	5	22
Soybeans	30	6	36
Tobacco	21	11	32
Wheat	13	6	19
All crops	17	9	26

Estimated workload and cost of fiscal years 1958 and 1959 for contract sales and servicing is as follows:

Contract sales and servicing costs

[818 counties]

	Fiscal year 1958		Fiscal year 1959		Increase or decrease
	Crops insured	Cost	Crops insured	Cost	
County cost:					
Agents' commission	245,200	$2,659,390	257,500	$2,659,390	
Other	119,800	1,531,117	122,500	1,532,074	$957
Total county cost	365,000	4,190,507	380,000	4,191,464	957
State, branch, headquarters servicing cost	365,000	2,650,193	380,000	2,624,236	−25,957
Total cost		6,840,700		6,815,700	−25,000

3. Crop inspections and loss adjustments

Loss-adjustment activities.—The adjustment of losses is an extremely important phase of the overall operation of the crop-insurance program, and requires accurate and equitable determinations of the liability of the Corporation in cases of loss. Proper adjustment of losses is necessary if the Corporation is to develop and maintain a sound crop-insurance program, since poorly adjusted losses could well be the sole reason for the failure of the entire operation.

The Corporation has under appointment approximately 1,200 loss adjusters that perform crop inspections and adjust losses at the county level. These local adjusters are farmers with a knowledge of farming and current crop conditions in their counties. Many of them have been employed by the Corporation on a part-time basis for the past several years and are now extremely well experienced and qualified in this work. Several years ago a limited group of these better qualified adjusters were selected to form a corps of highly trained key adjusters to be used to the maximum extent possible in the adjustment of the more difficult losses, and to supervise, train, and spot check the work of other adjusters. This approach to adjusting losses has proved highly effective, and losses are now being adjusted and payments made to insureds in an improved manner.

Loss adjusters, in addition to settling loss claims, also inspect farms during the growing season where the Corporation's liability is large, for the purpose of determining that sound farming practices are being followed. These inspections are initiated by the Corporation generally during the early part of the growing season.

The Corporation experience indicates that for each 2 loss notices received from insureds approximately 1 indemnity payment will be made. In 1956, approximately 123,000 loss notices were received as compared to 62,000 loss claims paid.

The Claims Division of the Washington office is responsible for the loss-adjustment activities of the Corporation. It formulates general loss-adjustment policies and supervises the State offices in the recruitment, training, and review of the performance of adjusters. Emphasis will continue to be directed to improving the loss-adjustment function by continuous training and supervision of loss adjusters' work and by the revision of State and branch procedures to provide the most rapid and economical procedure for the payment of claims.

Loss-adjustment workload.—The loss-adjustment workload is based mainly on the number of policyholders participating in the program, since under normal conditions a certain percentage will incur a loss each year. When losses are unusually heavy, as they have been in the past several years, the workload is materially increased. For fiscal year 1959, it is contemplated that the loss-adjustment workload will be heavier than for fiscal year 1958, based on the estimated participation of 365,000 crops insured for 1958 on which losses will be adjusted in fiscal year 1959, as compared to 318,000 crops insured for 1957 on which losses are being adjusted in fiscal year 1958. The loss-adjustment workload for the 325,000 contracts in force for the 1956 crop year is indicated by the number of inspections made, as shown below:

Program	Number of loss notices received	Inspections at request of insured	Inspections initiated by Corporation	Claims paid
Barley	381	274	13	163
Beans	553	490	92	359
Citrus	91	39		33
Corn	29,793	28,875	4,801	17,357
Cotton	7,992	7,729	1,263	4,782
Flax	3,521	3,386	450	1,925
Multiple crops	23,172	22,119	1,195	9,594
Soybeans	425	388	48	205
Tobacco	8,686	7,661	1,921	3,207
Wheat	48,472	47,108	6,656	24,513
Total	123,086	118,069	16,439	62,138

The estimated workload and costs for fiscal years 1958 and 1959 are as follows:

Crop inspections and loss adjustments

	Fiscal year 1958			Fiscal year 1959			Increase
	Crops insured	Average cost	Cost	Crops insured	Average cost	Cost	
State, branch, and headquarters servicing costs	318,401	$2.05	$655,000	365,000	$1.93	$704,000	+$49,000

STATUS OF PROGRAM

The Federal Crop Insurance Corporation is a wholly owned Government corporation which furnishes all-risk crop-insurance protection against unavoidable causes of loss. The program has been operating in selected counties since 1948 on a limited experimental basis, with major emphasis being given to the development of a sound program. Expansion of program activities has been on a restricted basis, consistent with sound insurance principles.

During the 9-year period, 1948 to 1956, inclusive, indemnities of $190 million exceeded premium income of $173 million by $17 million. During the same period, the number of counties increased from 375 to 805, the number of contracts from 170,000 to 325,000, and the annual premium income from $12.7 million to $22.2 million.

Heavy losses caused by drought and rust in the wheat areas during 1953 eliminated the surplus of approximately $1.5 million which had been accumulated from 1948 to 1952, and created a deficit of $2.4 million. In 1954, 1955, and 1956, the drought became more severe and extended to more of the major wheat- and corn-producing areas, where a heavy concentration of crop-insurance liability existed. As a result, indemnity payments exceeded premium income for each of these years. Notwithstanding the Corporation's loss experience during the past few years, it is felt that the objective of building a sound program can ultimately be accomplished. Excluding the $18 million loss the Corporation experienced in 14 counties in the Dust Bowl area, premium income was sufficient to cover indemnity payments during the 9-year experimental period. Insurance was withdrawn from these 14 counties beginning with the 1956 crop year because experience indicated that a sound program could not be developed in this excessive-risk area.

Nineteen hundred and fifty-six operating experience.—For the 1956 crop year,

324,949 contracts were in force covering approximately 366,000 farmers in 805 counties. The total insured coverage on 21 commodities was approximately $307 million. The following table indicates the distribution of county participation in the 1956 program, by crop and State.

Number of 1956 crop-insurance programs and counties

State	Wheat	Tobacco	Cotton	Corn	Multiple	Flax	Beans	Barley	Soybeans	Total	
										Programs	Counties
Alabama			15							15	15
Arizona			1							1	1
Arkansas			13		1					14	14
California	4		1							5	5
Colorado	12				2		2			16	16
Connecticut		1								1	1
Florida		5								[1] 7	[1] 7
Georgia		18								18	18
Idaho	12						5			17	16
Illinois	23			7	11				1	42	30
Indiana	20			11	7					38	27
Iowa				26	16				3	45	38
Kansas	68			6	5					79	75
Kentucky		33								33	33
Louisiana			9		2					11	11
Maryland	1			1						2	1
Massachusetts		1								1	1
Michigan	14			1	2		5			22	17
Minnesota	12			16	17	29		1	1	76	46
Mississippi			23							23	23
Missouri	20			12	4					36	24
Montana	18							2		20	18
Nebraska	29			10	3		2			44	40
New Mexico			3							3	3
North Carolina		27	5							32	31
North Dakota	44				9	16		3		72	53
Ohio	23	3		7	2				2	37	30
Oklahoma	22		1							23	22
Oregon	9				2			1		12	11
Pennsylvania	2	1		1	2					6	4
South Carolina		10	10							20	16
South Dakota	24			7	10	7		1		49	40
Tennessee		27	9		3					39	39
Texas	14		26							40	35
Utah	3				1					4	4
Virginia		15								15	15
Washington	12						1	1		14	12
Wisconsin		2		8	1					11	10
Wyoming	3				1		1			5	3
Total	389	143	116	113	101	52	16	9	7	[1] 948	[1] 805

[1] Totals include 2 citrus counties.

Indemnity payments on the 1956 insured crop to approximately 62,000 farmers amounted to $27.8 million and were offset by $22.1 million of premium income, leaving a deficit of $5.7 million. The overall loss ratio was 1.26. A loss of $6.4 million which occurred on corn as a result of the drought primarily in Nebraska, Iowa, South Dakota, Kansas, and Missouri was mainly responsible for the 1956 deficit. There was, in addition, however, a loss of approximately $1 million each on wheat and multiple crops, with drought also being the main cause of loss. The barley, bean, citrus, cotton, flax, soybean, and tobacco programs resulted in premium income of $4.9 million, compared to indemnities of $2.3 million.

Drought losses in five of the Great Plains States, which are major corn- and wheat-producing States, and where insurance coverage is concentrated, were responsible for 1956 indemnities exceeding premium income. Net losses in these five States on all crops insured were as follows:

Colorado	$2,755,834
Iowa	1,582,774
Kansas	1,126,423
Nebraska	3,855,019
South Dakota	1,964,114
Total	11,284,164

For the remaining 34 States in the insurance program, premium income from all crops insured exceeded indemnity payments by $5.6 million. With the present indications that the drought cycle in the Great Plains States may be broken, it is contemplated that the Corporation will more rapidly offset the present deficit with surplus from future years' operations.

There follows a table which shows the 1956 participation, premiums, and indemnities, by States:

1956 crop-year experience

State	Number of contracts in force	Premiums	Indemnities	Surplus or deficit (—)
Alabama	5,749	$185,144	$22,577	$162,567
Arizona	114	28,913	3,557	25,356
Arkansas	2,947	123,374	5,745	117,629
California	487	154,902	31,144	123,758
Colorado	5,916	1,410,870	4,166,704	—2,755,834
Connecticut	922	54,119	8,702	45,417
Florida	1,773	169,193	64,574	104,619
Georgia	2,684	174,356	70,813	103,543
Idaho	2,664	164,616	125,996	38,620
Illinois	9,287	295,779	66,003	229,776
Indiana	9,471	172,800	93,415	79,385
Iowa	15,405	1,181,858	2,764,632	—1,582,774
Kansas	20,025	2,333,596	3,460,019	—1,126,423
Kentucky	16,201	248,328	72,950	175,378
Louisiana	3,179	97,516	45,858	51,658
Maryland	369	7,862	40	7,822
Massachusetts	329	15,676	32,381	—16,705
Michigan	4,582	67,094	55,443	11,651
Minnesota	27,435	1,105,792	323,480	782,312
Mississippi	5,050	252,454	27,403	225,051
Missouri	13,051	624,343	1,010,370	—386,027
Montana	4,908	1,429,511	969,576	459,935
Nebraska	16,223	2,223,539	6,078,558	—3,855,019
New Mexico	571	83,387	14,213	69,174
North Carolina	19,524	867,190	210,057	657,133
North Dakota	35,683	3,479,972	1,910,263	1,569,709
Ohio	13,386	207,084	208,309	—1,225
Oklahoma	7,171	692,854	468,319	224,535
Oregon	2,125	200,438	58,539	141,899
Pennsylvania	2,327	42,696	19,211	23,485
South Carolina	5,313	264,660	159,815	104,845
South Dakota	17,433	1,521,042	3,485,156	—1,964,114
Tennessee	25,518	348,244	120,974	227,270
Texas	8,730	919,959	1,157,468	—237,509
Utah	616	100,451	66,307	34,144
Virginia	9,985	258,426	44,868	213,558
Washington	2,029	339,898	87,114	252,784
Wisconsin	4,923	147,925	54,940	92,985
Wyoming	844	149,197	302,469	—153,272
Total	324,949	22,145,058	27,867,962	—5,722,904

Scope of program.—The following table indicates the planned level of crop-insurance operations for 1958 and 1959 crop years as compared to 1957:

	1957 crop year	1958 crop year	1959 crop year
Number of counties	818	818	818
Number of commodities insured	21	21	21
Number of crops insured	318,000	365,000	380,000
Insurance coverage	$252,000,000	$334,000,000	$345,000,000
Premiums	$17,485,000	$24,129,000	$25,116,000
Indemnities	$9,960,000	$21,716,000	----------
Loss ratio	0.57	0.90	----------

New and improved insurance policy.—In previous years, the Corporation has developed and issued a new insurance policy each time insurance was offered on an additional crop. At the present time, there are 10 policies in effect covering the basic crops insured, and an additional multiple policy used on a limited scale in counties where more than 1 crop is insured. During fiscal year 1957, a uniform policy, utilizing the better features of the various policies now in effect, was de-

veloped. The new policy contains all of the provisions of the various policies that are similar and which are basic provisions applicable to insuring any crop. Endorsements will be used to identify the crops insured and to set forth the provisions which are applicable to the specific crops.

The new policy provides for insuring one or more crops under the same policy instead of requiring the issuance of a new policy each time insurance is offered on a new crop. This will expedite the inclusion of additional crops in counties where one crop is now being insured. The insuring of additional crops in areas where premium income is low will increase premium income and help to spread the insured coverage. Other features of the new policy provide for a more uniform system of adjusting losses, a minimum premium on each insured crop, and more uniform cancellation dates.

The new policy will be placed in effect beginning with the spring crops for 1958. Policies covering winter crops will be converted beginning with the 1959 crop year.

Comprehensive review of coverages and rates.—Beginning in 1958, the underwriting division will completely reexamine and reevaluate the coverages and rates in cycles by commodities instead of annually. In 1958, corn and soybean coverage and rates will be reviewed, and each succeeding year other crops will be reworked until all insured crops have been studied. Once a crop is reworked, it is anticipated that the rates will remain stable until it is due for another review. This method of reviewing and reworking county and crop premium rates will be advantageous in administering more comprehensive and efficient sales campaigns.

Peach insurance.—Insurance was offered for the first time on the 1957 peach crop in one county in South Carolina. Ninety-two contracts were sold, and earned a premium of approximately $37,000. Current reports indicate that the experience in this county was favorable for 1957, with a loss ratio of 0.58. Insurance in peaches will be expanded in the future, based on the results of this experiment.

Citrus insurance.—Good experience with this program, initiated in several counties in Florida in 1951, is the basis for the Corporation offering citrus insurance in 1 county in California and 1 additional county in Florda for 1958. Additional expansion will be made, based on accumulated experience.

Soybean insurance.—Offered for the first time in 1955 in a limited number of counties, will be expanded in 1958. Because of the need to increase premium income in the Midwest area, soybean insurance will be added in a large number of counties in this area which already have insurance on another crop. Expansion of soybean-crop insurance will continue as experience and sound insurance principles permit.

Barley insurance.—Offered for the first time on the 1956 crop in six counties, will be considerably expanded for 1958.

Grain sorghums.—Data necessary for the establishment of rates and coverage on grain sorghums are being accumulated so that insurance can be initiated on this crop in the near future.

Program operating statistics.—There follows statistical data by commodities for the past 5 crop years. The data on the 1957 crop year are estimated.

BARLEY

Item	Crop year				
	1953	1954	1955	1956	1957
Number of States	(1)	(1)	(1)	6	8
Number of counties				9	14
Number of contracts				1,695	2,430
Percentage of eligible farmers insured				18	21
Insurance coverage (in thousands)				$1,294	$2,500
Number of indemnities				163	207
Premiums (in thousands)				$102	$190
Indemnities (in thousands)				$39	$68
Surplus or deficit (—) (in thousands)				$63	$122
Loss ratio				0.39	0.36

[1] No program until 1956.

BEAN

Item	Crop year				
	1953	1954	1955	1956	1957
Number of States	8	6	7	6	6
Number of counties	30	24	17	16	16
Number of contracts	8,390	6,352	4,229	3,776	3,539
Percentage of eligible farmers insured	39	34	30	27	25
Insurance coverage (in thousands)	$4,087	$3,128	$2,035	$1,868	$1,700
Number of indemnities	645	1,240	336	359	422
Premiums (in thousands)	$230	$182	$135	$124	$106
Indemnities (in thousands)	$142	$291	$89	$118	$113
Surplus or deficit (−) (in thousands)	$88	−$109	$46	$6	−$7
Loss ratio	0.62	1.60	0.66	0.96	1.06

CITRUS

Number of States	1	1	1	1	1
Number of counties	1	2	2	2	2
Number of contracts	218	394	324	345	286
Percentage of eligible farmers insured	13	14	11	12	10
Insurance coverage (in thousands)	$901	$1,586	$1,414	$1,529	$1,500
Number of indemnities			9	33	12
Premiums (in thousands)	$63	$105	$94	$107	$95
Indemnities (in thousands)			$3	$23	$9
Surplus or deficit (−) (in thousands)	$63	$105	$91	$84	$86
Loss ratio			0.03	0.22	0.09

CORN

Number of States	13	13	13	13	13
Number of counties	108	99	102	113	115
Number of contracts	40,429	32,673	30,820	41,710	39,195
Percentage of eligible farmers insured	16	14	13	17	18
Insurance coverage (in thousands)	$37,302	$29,433	$27,164	$41,037	$28,300
Number of indemnities	1,117	2,348	6,313	17,357	3,783
Premiums (in thousands)	$1,663	$1,378	$1,366	$2,709	$2,214
Indemnities (in thousands)	$278	$766	$2,011	$9,086	$755
Surplus or deficit (−) (in thousands)	$1,385	$612	−$645	−$6,377	$1,459
Loss ratio	0.17	0.56	1.47	3.35	0.34

COTTON

Number of States	12	12	12	12	11
Number of counties	109	101	101	116	119
Number of contracts	38,434	24,196	19,319	29,975	25,451
Percentage of eligible farmers insured	23	15	13	16	13
Insurance coverage (in thousands)	$47,190	$28,395	$23,718	$29,872	$18,000
Number of indemnities	5,411	3,870	2,106	4,782	3,642
Premiums (in thousands)	$2,352	$1,494	$1,250	$1,693	$1,088
Indemnities (in thousands)	$2,460	$839	$1,055	$1,137	$678
Surplus or deficit (−) (in thousands)	−$108	$655	$195	$556	$410
Loss ratio	1.05	0.56	0.84	0.67	0.62

FLAX

Number of States	4	4	4	3	3
Number of counties	53	53	50	52	52
Number of contracts	23,433	23,451	20,012	17,256	15,021
Percentage of eligible farmers insured	54	53	46	44	35
Insurance coverage (in thousands)	$8,928	$8,575	$6,011	$5,566	$4,400
Number of indemnities	3,754	4,115	2,875	1,925	5,492
Premiums (in thousands)	$824	$939	$704	$647	$514
Indemnities (in thousands)	$786	$719	$545	$347	$1,243
Surplus or deficit (−) (in thousands)	$38	$220	$159	$300	−$729
Loss ratio	0.95	0.77	0.77	0.54	2.42

MULTIPLE CROPS

Item	Crop year				
	1953	1954	1955	1956	1957
Number of States	27	22	23	20	20
Number of counties	113	96	83	101	124
Number of contracts	50,217	41,042	32,652	35,260	41,192
Percentage of eligible farmers insured	23	22	22	20	18
Insurance coverage (in thousands)	$83,487	$68,573	$51,323	$51,718	$49,809
Number of indemnities	8,781	10,377	7,891	9,594	8,468
Premiums (in thousands)	$3,862	$3,210	$2,826	$3,235	$3,329
Indemnities (in thousands)	$3,502	$4,824	$4,024	$4,144	$2,074
Surplus or deficit (−) (in thousands)	$360	−$1,614	−$1,198	−$909	$1,255
Loss ratio	0.91	1.50	1.42	1.28	0.62

PEACHES

Number of States	[2]	[2]	[2]	[2]	1
Number of counties					1
Number of contracts					92
Percentage of eligible farmers insured					14
Insurance coverage (in thousands)					$148
Number of indemnities					22
Premiums (in thousands)					$37
Indemnities (in thousands)					$22
Surplus or deficit (−) (in thousands)					$15
Loss ratio					0.59

SOYBEANS

Number of States	[3]	[3]	3	4	4
Number of counties			6	7	7
Number of contracts			1,091	1,560	1,385
Percentage of eligible farmers insured			12	14	12
Insurance coverage (in thousands)			$455	$687	$743
Number of indemnities			183	205	178
Premiums (in thousands)			$28	$45	$50
Indemnities (in thousands)			$21	$34	$37
Surplus or deficit (−) (in thousands)			$7	$11	$13
Loss ratio			0.73	0.74	0.74

TOBACCO

Number of States	12	12	12	12	13
Number of counties	103	107	127	143	149
Number of contracts	102,691	83,082	86,754	80,796	71,497
Percentage of eligible farmers insured	34	30	30	28	21
Insurance coverage (in thousands)	$68,355	$70,634	$72,482	$59,088	$46,600
Number of indemnities	24,842	12,047	5,483	3,207	3,633
Premiums (in thousands)	$2,027	$2,364	$2,720	$2,176	$1,625
Indemnities (in thousands)	$3,853	$2,107	$1,075	$618	$550
Surplus or deficit (−) (in thousands)	−$1,826	$257	$1,645	$1,558	$1,075
Loss ratio	1.90	0.89	0.40	0.28	0.34

WHEAT

Number of States	24	24	24	22	22
Number of counties	405	402	400	389	390
Number of contracts	142,818	135,697	124,757	112,576	107,516
Percentage of eligible farmers insured	29	29	27	26	27
Insurance coverage (in thousands)	$187,264	$144,027	$125,245	$114,341	$88,400
Number of indemnities	34,740	30,609	26,960	24,513	15,383
Premiums (in thousands)	$16,073	$12,983	$13,208	$11,307	$8,078
Indemnities (in thousands)	$20,033	$18,485	$16,682	$12,343	$4,911
Surplus or deficit (−) (in thousands)	−$3,960	−$5,502	−$3,474	−$1,036	$3,167
Loss ratio	1.25	1.42	1.26	1.09	0.61

[2] No program until 1957.
[3] No program until 1955.

Summary

Item	1953	1954	1955	1956	1957
Number of States	43	42	41	39	38
Number of county programs	922	884	888	948	989
Number of contracts	406,630	346,887	319,958	324,949	307,604
Insurance coverage (in thousands)	$437,514	$354,351	$309,847	$307,000	$242,100
Number of indemnities	79,290	64,606	52,156	62,138	41,242
Premiums (in thousands)	$27,094	$22,655	$22,330	$22,145	$17,326
Indemnities (in thousands)	$31,054	$28,031	$25,505	$27,889	$10,460
Surplus or deficit (—) (in thousands)	—$3,960	—$5,376	—$3,175	—$5,744	$6,866
Loss ratio	1.15	1.24	1.14	1.26	0.60

Mr. MARSHALL. We note that there is no change in the request for funds.

Do you have a general statement, Mr. McLain?

Mr. MCLAIN. Yes, very brief, if I might make it.

Mr. MARSHALL. Proceed any way you wish.

Mr. MCLAIN. All right.

GENERAL STATEMENT

Mr. Chairman and gentlemen of the committee, once again it is a pleasure to meet with you and discuss the operations of the Federal Crop Insurance Corporation.

1957 CROP YEAR EXPERIENCE

We are very glad to report that our operations in 1957 were most satisfactory from an insurance standpoint. Although losses were somewhat heavy in a few areas, our latest reports from the field indicate premium income of $17.4 million will exceed indemnity payments of $11.7 million by $5.7 million. Earlier in the year it looked as though our surplus would be $7.5 million, but late losses in the corn, multiple crop, and citrus programs were responsible for the reduction.

In 1957 crop-insurance protection was available in 818 counties in 38 States. Total insurance coverage was $242 million. Premium income exceeded indemnities for all crops except dry edible beans, citrus, and flax. These crops represented about 3 percent of the total coverage in force for 1957. The severe freezes in December and January caused the loss on citrus products in Florida.

Generally, the principal causes of loss of 1957 were drought, plant disease, excessive moisture, and freeze.

EXPANSION OF PROGRAM

You will probably recall that because of the losses incurred, Congress placed the crop-insurance program on a very limited experimental basis beginning in 1948. One of the legislative restrictions on expansion was that the assumption of additional liability would not be at a rate faster than the accumulation of reliable underwriting data.

The various crop catastrophes we have experienced the past several years have greatly emphasized the benefits that are to be derived from a sound crop-insurance program. As a result, the demand for expansion of the program has increased.

We have attempted to maintain a prudent balance in this respect by making crop insurance available to as many farmers as we can, and at the same time, limiting our operations to a level consistent with realistic underwriting principles.

In 1948, we insured 7 crops in 375 counties. Since that time, we have expanded gradually until we are now insuring 21 crops in 818 counties.

Wheat, our principal crop, is insured in 390 counties, which pretty well covers the major wheat-producing area.

Likewise, we feel that our tobacco program of 149 counties furnishes protection to most of the major tobacco-producing areas.

While considerable expansion has occured in the corn, cotton, flax, and dry edible bean programs, there still remain additional counties to which these programs can be extended. The cotton program will be reworked and revised for the 1959 crop year.

We have developed programs for citrus, soybeans, barley, and peaches. It is our plan to expand the coverage on these crops as rapidly as circumstances permit.

In 1958, insurance will be provided on additional crops in 69 counties where a program was in effect in 1957, and in 27 new counties where insurance had not previously been offered. These new county programs are located mainly in the Midwestern States on corn and soybeans.

Corn insurance will be offered in 33 additional counties, and soybean insurance in 60 additional counties. Insurance on citrus will be expanded to a new county in California and one in Florida. Barley will be added in 13 counties, mainly in the Northwestern States. Also, a few additional programs will be added for wheat, cotton, tobacco, dry edible beans, and flax, making a total of 126 new programs for 1958.

REVISION OF UNDERWRITING PROCEDURE

Because of the Corporation's limited actuarial experience, it has been necessary in the past to work each year's experience into the rates and then revise the rates and coverages accordingly for the next year.

There were several disadvantages to this method of operation. The rates and coverages could not be revised until well toward the end of the current harvest season when a determination could be made of the extent of losses. Until the revised rates were available, the sale of new business was difficult. Consequently, the period during which new sales could be made was quite limited.

In addition, the reworking of all rates each year resulted in heavy peak workloads for the Underwriting Division. However, one of the main disadvantages to this system was that it frequently resulted in rates being changed slightly each year. This caused many insureds to cancel their contracts, especially after a year of heavy losses when rates had to be increased.

Beginning with the 1958 crop year, we will rework 1 or 2 crops each year. The rates and coverages on the rest of the crops will not be revised during the interim. Except for slight changes in commodity prices, this will result in the rates and coverages for each crop remaining constant for several years. Under this plan, concerted sales efforts can be made the year around on all crops. A more thorough review can be made of the actuarial rates, and the insured can pretty

well depend on his rate and coverage being constant for several years. We believe this change will result in considerable improvement in our program operations not only from an underwriting standpoint, but also in the sales and servicing phase of our work.

NEW TYPE OF POLICY

Except for the multiple-crop program which operated in a limited number of counties, the Corporation previously insured different crops under separate contracts. While this procedure had some advantages, it resulted in higher administrative costs for servicing the program, and, in someways, made it more difficult to insure additional crops in a county.

We have now developed a Federal crop insurance policy, under which a farmer may insure any or all of the crops on which insurance is offered in the county.

The use of this type of contract will give our program much greater flexibility, and eventually should result in more economical servicing of the program.

COOPERATION WITH FOREIGN COUNTRIES

In addition to the direct benefits the people of this country derive from a crop insurance program, we believe there is an indirect benefit which is not as obvious—the cultivation of good relations with foreign countries resulting from mutual interest in developing and adopting sound crop insurance principles in various countries throughout the world.

During the past few years, we have noted an increasing interest by other countries in our operations. They are desirous of developing similar crop insurance programs in their countries.

Government representatives from Sweden, Turkey, Formosa, Ceylon, and the Province of Manitoba, Canada, have been here to study our program with the objective of developing a program of their own. Many others have requested literature, experience data, and other material accumulated by the Corporation.

All-risk crop insurance has been in effect in Japan since 1939. Mexico and Brazil have started a program in the last 3 years. Representatives of these countries have visited with us for consultation and study regarding our methods of insurance operations. We are gratified that we can help our foreign neighbors in their efforts to guarantee the income of their agricultural population.

1959 BUDGET PROGRAM

The budget estimate we have presented for 1959 provides the same amount of funds for operating and administrative expenses as was authorized in the 1958 appropriation, namely, $6,376,700 by appropriation, and authority to use not in excess of $2 million of premium income.

Even though there is no increase in funds requested, the 1959 budget provides for an increased workload of 15,000 crops insured and the addition of approximately 75 new county programs in the 818 counties where insurance is available this year.

REVIEW OF CHARTS

If it is agreeable to the committee, I would like to have Mr. McCartney give you a summary review of our loss experience by crops. We will then be glad to furnish any additional information you may desire.

These charts probably ought to be made a part of the record.

Mr. MARSHALL. If there is no objection, we will be glad to make this a part of the record.

In placing this in the record, would you rather have the charts come in ahead of Mr. McCartney's explanation?

Mr. MCLAIN. I believe that would be appropriate.

Mr. MARSHALL. All right, and you may follow it with your explanation.

Mr. MARSHALL. With your charts in the record, we would want an explanation that would be clear enough so that anybody reading the record would understand. So you feel free to include more information with it as you look over the record.

Mr. MCLAIN. We want to be sure you people understand. If you have any questions as we go along here, we will be glad to elaborate.

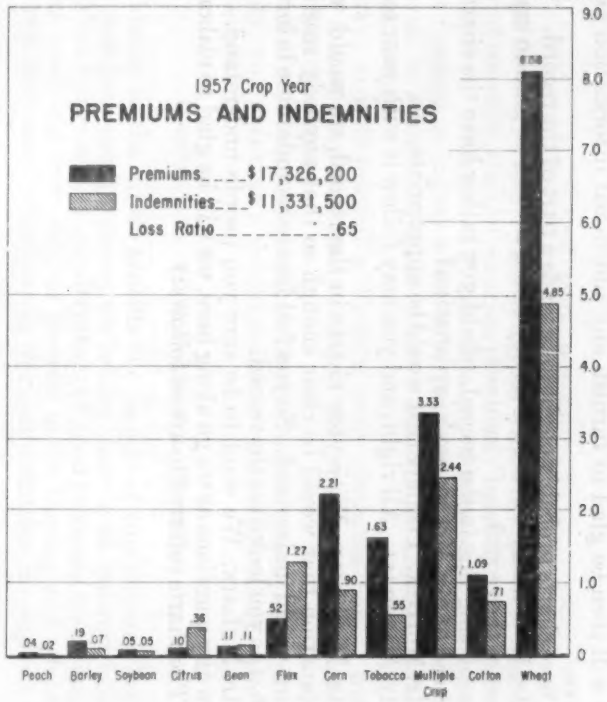
(The charts referred to are as follows:)

United States Department of Agriculture

FEDERAL CROP INSURANCE CORPORATION

LOSS RATIOS 1948-1957

Program	Crop Year										
	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1948 1957
Wheat	.58	1.45	.52	1.06	.85	1.25	1.42	1.26	1.09	.60	1.05
Cotton	.43	1.97	2.81	.82	.44	1.05	.56	.84	.67	.65	1.04
Multiple Crop	.06	.16	.94	1.65	2.33	.91	1.50	1.42	1.28	.73	1.33
Tobacco	.43	.66	.61	.49	.79	1.90	.89	.40	.28	.34	.70
Corn	.17	.16	1.26	2.38	.25	.17	.56	1.47	3.35	.41	1.26
Flax	.51	.62	.42	.49	.79	.95	.77	.77	.54	2.47	.78
Bean	.29	.64	1.84	3.14	.55	.62	1.60	.56	.96	1.07	1.23
Citrus				0	04	0	0	.03	.22	3.78	.65
Soybean								.73	.74	.94	.82
Barley									.39	.36	.37
Peach										.59	.59
All Programs	.53	1.32	.91	1.12	.97	1.15	1.24	1.14	1.26	.65	1.06

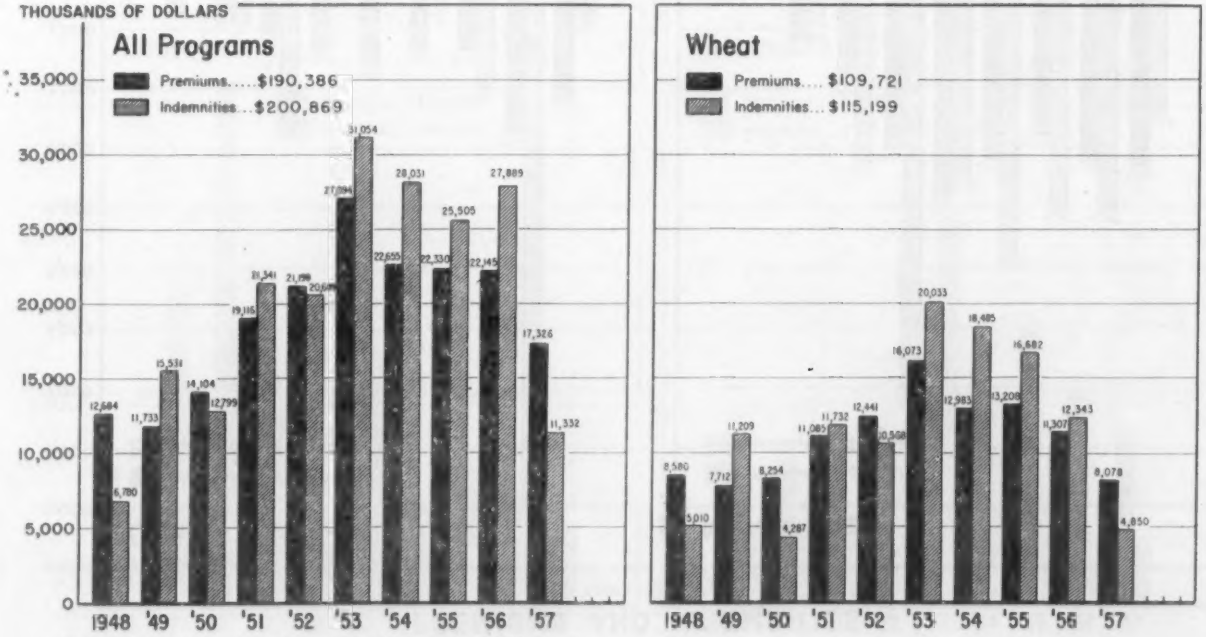


The 1957 Crop Year Premiums and Indemnities are based on December 27, 1957 estimates
Prepared January 3, 1958.

United States Department of Agriculture
Federal Crop Insurance Corporation

PREMIUMS AND INDEMNITIES

Crop Years 1948-1957

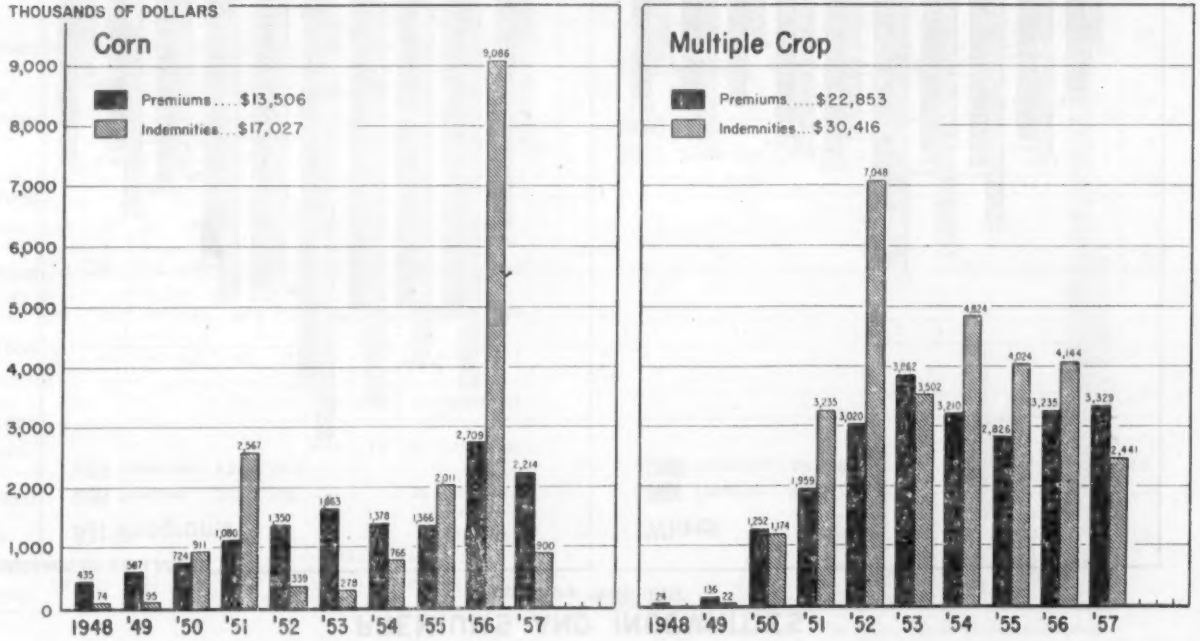


The 1957 Crop Year Premiums and Indemnities are based on December 27, 1957 estimates.
Prepared January 3, 1958

United States Department of Agriculture
Federal Crop Insurance Corporation

PREMIUMS AND INDEMNITIES

Crop Years 1948-1957



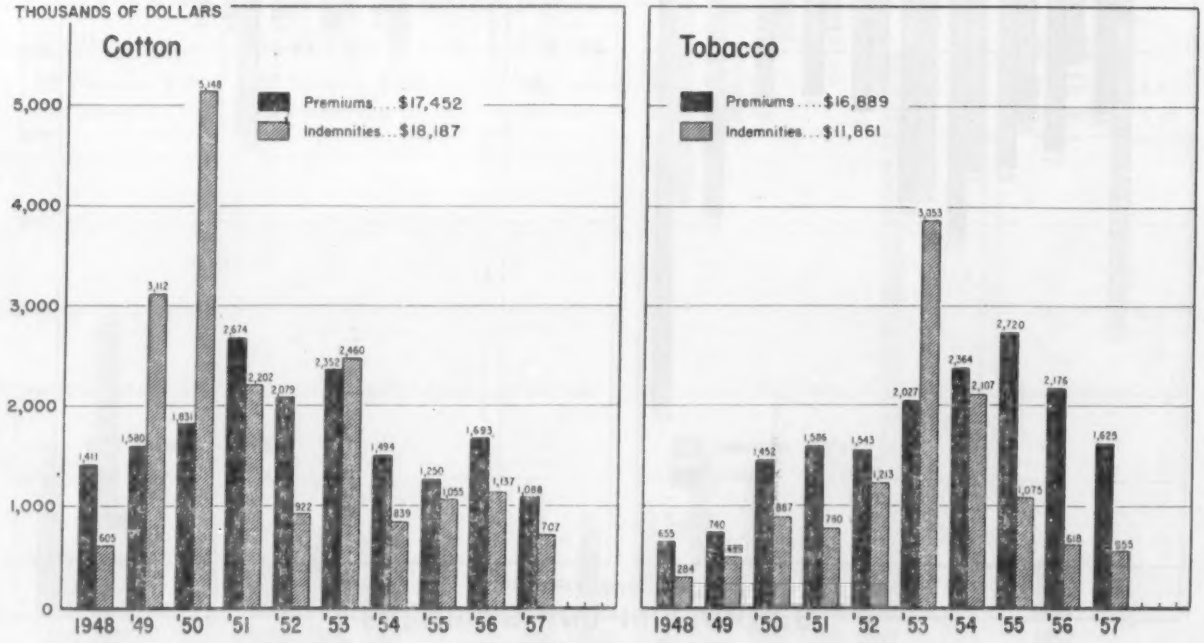
The 1957 Crop Year Premiums and Indemnities are based on December 27, 1957 estimates.

Prepared January 3, 1958

United States Department of Agriculture
Federal Crop Insurance Corporation

PREMIUMS AND INDEMNITIES

Crop Years 1948-1957



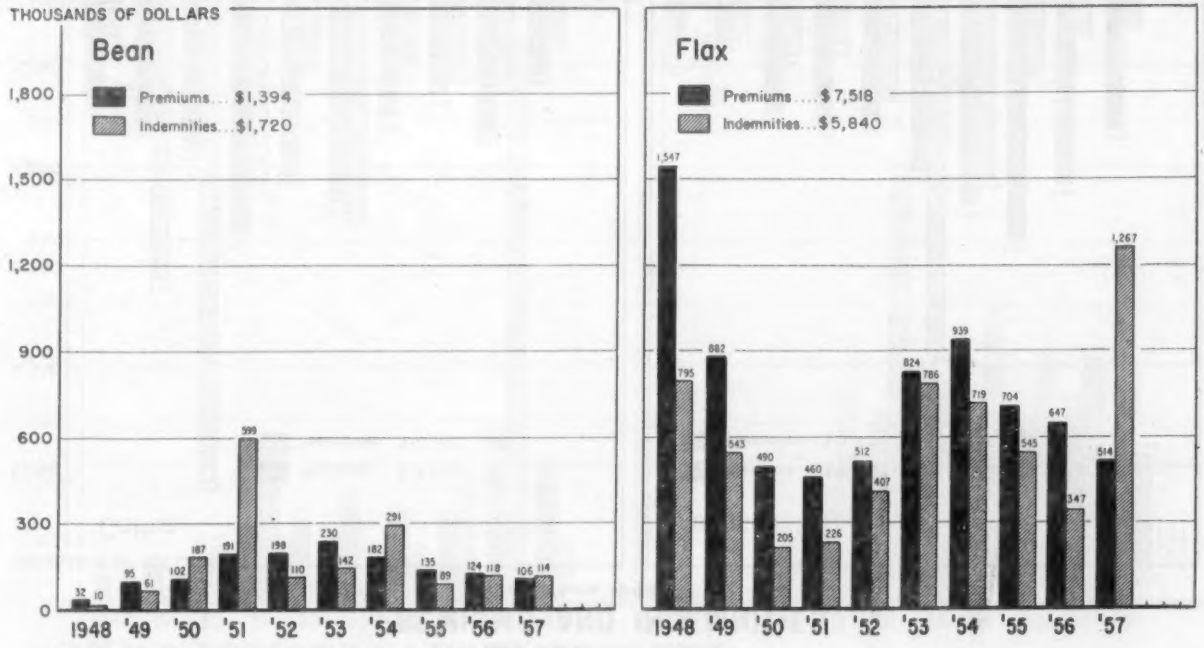
The 1957 Crop Year Premiums and Indemnities are based on December 27,1957 estimates.

Prepared January 3, 1958

United States Department of Agriculture
Federal Crop Insurance Corporation

PREMIUMS AND INDEMNITIES

Crop Years 1948-1957

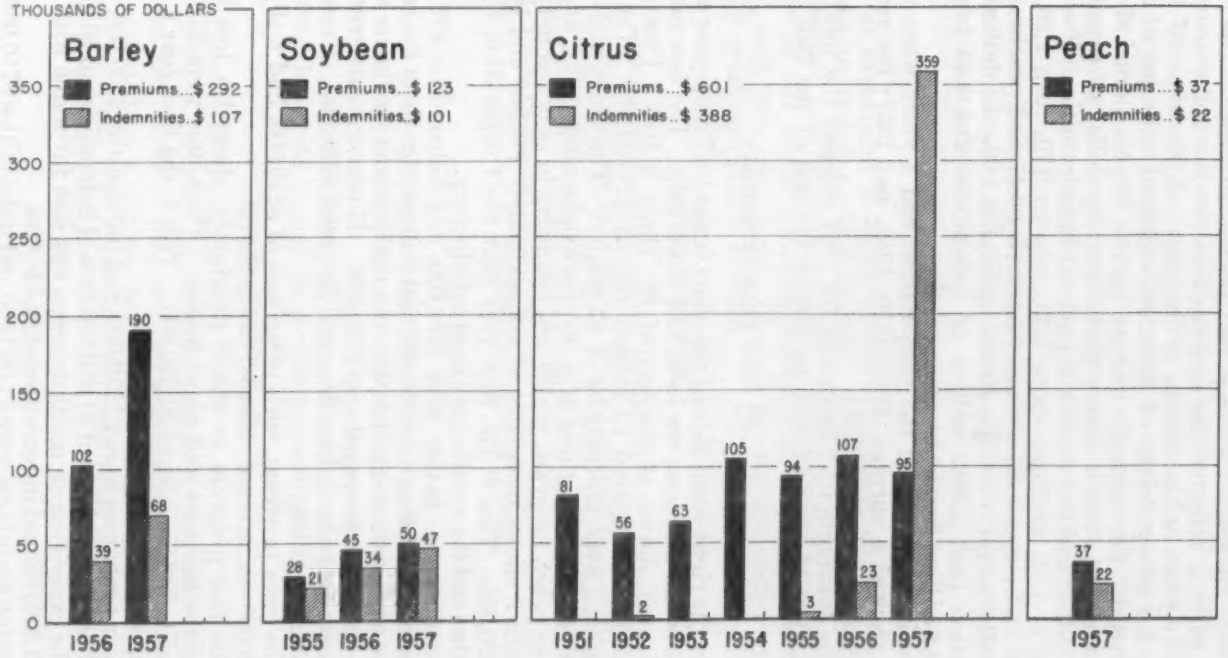


The 1957 Crop Year Premiums and Indemnities are based on December 27, 1957 estimates.
Prepared January 3, 1958

United States Department of Agriculture
Federal Crop Insurance Corporation

PREMIUMS AND INDEMNITIES

Crop Years 1951-1957



The 1957 Crop Year Premiums and Indemnities are based on December 27, 1957 estimates.
Prepared January 3, 1958

Review of the Corporation's Experience

Mr. McCartney. Chart I shows on the left-hand side the loss ratios by crops by years for the period 1948–57 inclusive. The cumulative loss ratio is reflected for each crop in the last column to the right, and by years at the bottom of the page. A loss ratio of 1.00 means that for every dollar of premium collected a dollar of indemnity was paid. For example—wheat for the 10-year period shows a loss ratio of 1.05, which means, that for every dollar of premium taken in a dollar and five cents was paid out in indemnities. For cotton the ratio is 1.04, multiple crops 1.33, tobacco 0.70, corn 1.26, flax 0.78, bean 1.23, citrus 0.65, soybean 0.82, barley 0.37, and peaches 0.59. The overall loss ratio for the 10-year period is 1.06. In dollars, the Corporation paid $200.9 million of indemnities and had premiums of $190.4 million for the 10-year period.

During this period the Corporation had 4 years when the operation showed a surplus, 1948, 1950, 1952, and 1957; the remaining 6 years operated at a deficit.

The favorable 0.65 loss ratio for 1957 reduced the total loss ratio of 1.10 at the end of 1956 to 1.06 at the end of the 1957 crop year.

1957 crop year experience

On the right-hand side of the chart is the 1957 crop-year experience. This is the best year we have had since 1948. The loss-ratio for the 1957 year shown at the top of the chart is 0.65. Premiums were $17,326,200 compared to indemnities of $11,331,500. The excess of premiums over indemnities is $5,994,700. The chart shows that all crop programs operated at a surplus except citrus, flax, and beans.

The peach program, which was operative in only 1 county in South Carolina, shows premiums of approximately $40,000 and indemnities of $20,000. This is the first year that the Corporation has insured peaches and the results were most satisfactory.

Premiums on barley were $190,000, and indemnities $70,000. For soybeans premiums were $50,000 and indemnities about the same. The citrus premiums were $100,000, and the indemnity estimate at the time this chart was prepared was $360,000. However, more recent reports indicate that the indemnities will be about $588,000. Freeze was the main cause of loss.

The bean program, with premiums of $110,000, had a slight deficit of $8,000 which is not reflected on the chart.

The flax program as stated previously, showed a loss because of excessive moisture and plant disease. Premiums were $520,000 compared to indemnities of $1,270,000. This is the first year a deficit has occurred in the flax program.

Corn premiums were $2,210,000, and indemnities $900,000.

Tobacco premiums of $1,630,000 exceed indemnities of $550,000.

The experience on multiple crops was also favorable with premiums of $3,330,000 and indemnities of $2,440,000.

Cotton premiums were $1,090,000 and indemnities $710,000.

The experience on wheat was also good this year with premiums of $8,080,000 and indemnities of $4,850,000. As you can see from the chart wheat represents the major portion of the total liability and income.

SUMMARY OF EXPERIENCE BY YEARS

Chart 2, on the left-hand side of the page, shows the results of operations for all crops by years from 1948 to 1957, inclusive. At the top of the page it shows total premiums were $190,386,000 and indemnities $200,869,000 for this period. This is a loss ratio of 1.06. These figures include the $18,300,000 deficit from operations in the 14 dust-bowl counties from which the program was withdrawn after the 1955 crop year. Except for the experience in these counties, the Corporation's premium income would exceed indemnities by about $8 million.

At the bottom of the page is the experience by years. Premiums exceeded indemnities in 1948, 1950, 1952, and 1957. The remaining 6 years operated at a deficit.

WHEAT EXPERIENCE

The wheat experience is shown on the right-hand side of chart 2.

Premiums amounted to $109,721,000. Indemnities totaled $115,199,000, resulting in a loss ratio of 1.05. The chart shows that for the 10-year period the wheat program operated at a surplus for 1948, 1950, 1952, and 1957 crop years, whereas for the remainder of the years the program operated at a deficit.

CORN EXPERIENCE

The corn experience is shown on the left-hand side of chart 3.

Premiums amounted to $13,506,000 while indemnities totaled $17,027,000. This resulted in a loss ratio of 1.26 for the 10-year period. The experience for this period shows that for 6 of those years, 1948, 1949, 1952, 1953, 1954, and 1957, the program operated at a surplus, whereas for the remainder of the years a deficit is shown.

MULTIPLE CROP EXPERIENCE

Chart 3 also shows the experience for the multiple-crop program. Premiums amounted to $22,853,000. Indemnities totaled $30,416,000 resulting in a loss ratio of 1.33. For the 10-year period covered by the chart, 5 years, 1948, 1949, 1950, 1953, and 1957, show a surplus, whereas for the remainder of the period the program operated at a deficit.

COTTON EXPERIENCE

Chart 4 shows the cotton experience.

Premiums for the 10-year period amounted to $17,452,000. Indemnities totaled $18,187,000. This resulted in a loss ratio of 1.04. This program operated at a surplus for 7 years of the 10-year period. 1948, 1951, 1952, 1954, 1955, 1956, and 1957 crop years show a surplus; the other 3 years reflect a deficit.

TOBACCO EXPERIENCE

Tobacco experience is also shown on chart 4.

Premiums for the 10-year period amounted to $16,889,000. Indemnities amounted to $11,861,000, resulting in a loss ratio of 0.70. This program operated at a surplus for 9 years of the 10-year period. In only 1 crop year, 1953, did the indemnities exceed premiums.

BEAN EXPERIENCE

The bean experience is reflected on chart 5.

For the 10-year period, premiums amounted to $1,394,000, and indemnities totaled $1,720,000, resulting in a loss ratio of 1.23. For 6 of the crop years the program operated at a surplus. These years are 1948, 1949, 1952, 1953, 1955, and 1956. For the remaining 3 years the program operated at a deficit.

FLAX EXPERIENCE

The flax experience is also reflected on chart 5.

Premiums amounted to $7,518,000. Indemnities totaled $5,840,000, resulting in a loss ratio of 0.78. The experience for the 10-year period shows that the program has operated at a surplus for 9 years of the 10-year period. The 1957 crop year was the only year that indemnities exceeded premiums.

BARLEY EXPERIENCE

The barley experience is shown on chart 6.

This program has been in operation for 2 years. Premiums amounted to $292,000 and indemnities totaled $107,000, resulting in a loss ratio of 0.37. The program shows a surplus for each of the 2 years it has been in operation. This program will be expanded as rapidly as the necessary preliminary data can be accumulated and evaluated.

SOYBEAN EXPERIENCE

The soybean experience is also shown on chart 6.

This program has been in operation for 3 crop years. Premiums amounted to $123,000 and indemnities totaled $101,000, resulting in a loss ratio of 0.82. The program shows a surplus for each of the 3 years it has been in operation. This favorable experience is one of the major reasons for the extensive expansion of insurance coverage on this crop planned for the next few years.

CITRUS EXPERIENCE

The experience for citrus is also shown on chart 6.

This program has been in operation since 1951. For the 7-year period premiums totaled $601,000 and indemnities are shown on this chart as $388,000. However, later information received from the field indicates that because of freeze during January additional losses have been incurred. It is now estimated that the experience for the 7-year period will show a slight deficit with indemnities of $616,000 compared to $601,000 of premiums.

PEACH EXPERIENCE

The experience for peaches is also on chart 6.

This program was started during the 1957 crop year in Spartanburg County, S. C. Premiums amounted to $37,000 and indemnities totaled $22,000, resulting in a loss ratio of 0.59.

Mr. MARSHALL. With regard to citrus, is the loss established at the present time so that you can start paying indemnities?

Mr. McCartney. We are already paying indemnities, but all of the adjustment work has not been completed. However, our State director did furnish an estimate of the total citrus indemnities.

Mr. Horan. You are still ahead of the game, though, aren't you?

Mr. McCartney. On an overall basis for the 7 years we have been operating, citrus indemnities will exceed premiums by about $15,000.

Mr. Andersen. Relating to corn, please, Mr. McCartney, you of course know that there will be a lot of applications pending for adjustment right now on soft corn.

Mr. McCartney. We have included that estimate in our bar charts.

Mr. Andersen. Does that include that estimate?

Mr. McCartney. That is right.

Mr. Andersen. Aren't you underestimating it?

Mr. McCarthy. We hope not. Our fellows are out there in the field looking at it, and they are pretty accurate in their estimates.

I would rather they would overestimate than underestimate it.

Mr. Andersen. Overall, you really have shown good progress this year, have you?

Mr. McCartney. This year we have made a substantial gain.

COTTON COVERAGES AND RATES

Mr. Andersen. At the bottom of page 2, Mr. McLain, of your testimony, you say the cotton program will be reworked and revised for the 1959 crop year.

Now, is that the program picked for this year to be worked on for revision in the new rate?

Mr. McCartney. If I may answer for you, Marvin.

Yes, the answer is we are going to work the 1959 cotton program over right at the present time so that when we go out with an offer for 1959, it will be completely reworked. The rates will be set where we think they should be. Whatever changes are necessary in the contract will be put in at this time. The rest of the commodity rates will remain static.

Mr. Marshall. What are the cumulative totals for the experience over the years?

FOURTEEN DUST BOWL COUNTIES

Mr. McCartney. If we could disregard the experience in the 14 Dust Bowl counties, from which we have withdrawn the program, instead of showing $10.5 million in the red, we would actually be about $8 million in the black.

Mr. Horan. What is going on down there now? Is there a rehabilitation program that has replaced crop insurance?

Mr. Fretts. No, not in the area of these 14 counties. Emergency assistance programs and soil bank have helped. But we have not been in these 14 counties since the 1955 crop year. Our net loss in these 14 counties was slightly over $18 million. From 1948 through 1955, if we take that net loss out of our experience for the entire program for the 10-year period, we show a surplus of about $8 million for the rest of the eight-hundred-odd counties.

Mr. NIKKEL. It might be pointed out there that much of the wheat acreage in those 14 counties in the past 2 years has been in the soil bank.

FLAX LOSS

Mr. MARSHALL. We note that on the chart that you had a very severe loss this year on flax. To what do you attribute that heavy loss?

Mr. MCCARTNEY. That was due to heavy rains this fall, drought, and aster yellow.

Mr. MARSHALL. How much did aster yellow affect it?

Mr. MCCARTNEY. I think if we hadn't had the rains in the fall, we would have stayed in the black.

Mr. MARSHALL. According to this chart, last year was the only year since 1948 that you suffered a loss in flax.

Mr. MCCARTNEY. That is right.

Mr. MARSHALL. And yet that loss that was suffered last year was so bad as to bring the average—no. Excuse me.

Mr. MCCARTNEY. We actually have a 78 percent cumulative loss ratio in flax.

Mr. MARSHALL. So far as flax is concerned, your experience with that, it is still in the black?

Mr. MCCARTNEY. That is right.

COUNTIES TERMINATED IN 1957

Mr. MARSHALL. Now, how many counties did you drop this last year from the crop insurance?

Mr. MCCARTHY. We didn't drop any. We went out of a few because of lack of participation.

Mr. Nikkel, could you give us the approximate number which dropped out?

Mr. NIKKEL. There were 17 counties that failed to qualify, failed to meet the minimum participation requirement, and 3 dropped prior to sales due too low participation prospects.

Mr. MARSHALL. In what States were these counties located that failed to meet the participation requirements?

Mr. NIKKEL. We could insert that.

Mr. MARSHALL. All right, will you insert that at this point.

(Committee insert)

(The counties referred to are as follows:)

COUNTIES WHERE CROP INSURANCE PROGRAMS TERMINATED FOR 1957

Wheat: Jefferson, Ill.; Dearborn, Ind.; Barton and Perry, Mo.; Knox and Stonewall, Tex.; Utah, Utah.
Cotton: Pinal, Ariz.; Cross and Poinsett, Ark.; Tate, Miss.; Pickens, S. C.
Tobacco: Irwin, Jeff Davis, Pierce and Wheeler, Ga.; Macon, Tenn.
Multiple: Somerset, Pa.; Emery, Utah.
Corn: Clinton, Iowa.

DISASTER RELIEF AND CROP INSURANCE

Mr. MARSHALL. We are interested in crop insurance in the Great Plains area. We have had counties out there where we spent a considerable amount of money as far as disaster relief is concerned.

I am wondering what you could tell us about your experience as far as crop insurance is concerned. How much has crop insurance relieved the load as far as the need for disaster funds are concerned.

Mr. McLain. Well, in general, I have been pretty close to this disaster program on a policy level. Of course it is a difficult thing, Mr. Marshall, as you know, when disaster strikes everybody is sympathetic and wants to do all he can, as down in Florida right now where they have had this freeze. It is not only citrus, but it is cattle dying, and a lot of things that we just don't find a very happy situation.

Of course we have felt in the Department at the top level that in the areas where we can have crop insurance that people ought to participate in it and then when an emergency like this hits, they are able to take care of themselves and in many areas they are doing that.

Now one of the problems you encounter, if you aren't careful in how you run assistance, is if you just go ahead and pass out free feed and other things in an emergency the fellow who is carrying insurance says, "Why should I carry insurance?" So that is the side that we have to constantly keep in mind when we comply with many demands we get in these various areas, and it is terrific when a disaster like that hits. Everybody wants something done.

They know we have some grain and other stuff stored and they would like very much to have it and even though they have the money to pay for it, they would like to have it from us.

So we feel, and we are trying to promote this in our work with crop insurance, that to the extent that we can make crop insurance available, and in the counties where it is available, we ought to urge everybody to participate that can. Then they are in a much better position to take care of their own needs, just like the fellow that carries insurance on his house that burns down.

I personally think that if crop insurance can be put on a basis that is actuarily sound—and last year we had it that way, that it has terrific potential to help out in this area of assistance because of emergency. I think that is the way we ought to look at it particularly after we get it developed. And of course the wider your coverage is, as we know, with any insurance program, the more apt you are to have favorable experience. You are always going to have some losses. That is why you have insurance. But if you have wide enough coverage, it ought to work itself out. We are quite encouraged this year by the way the program has worked and I don't think we ought to move too fast expanding, but I think we ought to get the thing developed to the point where it is doing the job. Either we ought to get outside interests to pick it up, which of course we are hopeful that we can get done, or else it ought to be made available to more people by the Corporation.

INTEREST OF PRIVATE COMPANIES

Mr. Marshall. How are you getting along interesting outside interests?

Mr. McLain. Not as well as I would like to see, Mr. Marshall.

Mr. McCartney has been working on that. I have done a little work myself. I would rather he would answer that.

Mr. McCartney. There is one group; some stock hail-insurance companies are actually trying a program of crop insurance in certain counties where they are operating. They have been making an offer for the last 2 years and we have a gentlemen's agreement with them that we won't go in the same counties they operate. In other words, if they are in a county, we stay out of that county.

During this last year I think they had only about 170 policyholders. They are selling in conjunction with their hail policy. You must take out a hail policy before you can get crop insurance.

Mr. Andersen. Where were those counties located?

Mr. McCartney. They were located in Illinois, Indiana, Iowa, Kentucky, Minnesota, Nebraska, and Tennessee.

Mr. Andersen. Do they meet the rates that you people can give?

Mr. McCartney. No, they are charging a higher rate. In other words, we are collecting only enough premium to carry the loss and supposedly to build an adequate reserve. That is all we have been allowed to charge by law. They have to include their acquisition costs in the premium rates and supposedly a profit for the company has to be included.

Mr. Andersen. How about the indemnities which they pay? How do they compare to yours?

Mr. McCartney. They would be just about the same on the same loss.

PREMIUM RATES

Mr. Andersen. Mr. McLain or Mr. McCartney, if you had practically solid coverage and participation by the farmers involved in a large area, would that result, perhaps, in lower rates, lower possible rates on the part of the crop insurance corporation?

Mr. McCartney. No; I don't think it would.

Mr. Andersen. Not necessarily.

Mr. McCartney. It might mean a lower operating cost over all because we would probably be able to take care of 20,000 policyholders with many costs no higher than for 5,000.

Mr. Marshall. Do you have any questions, Mr. Natcher?

1958 TOBACCO PROGRAM

Mr. Natcher. Your tobacco loss for 1957 was $500,000. The income was $1,600,000. This program, I believe, covers 149 counties and you propose in the year 1958 to have 126 new programs. Can you tell me as to whether or not the tobacco program is to be extended during the present year?

Mr. McCartney. That is for 1958?

Mr. Natcher. Yes.

Mr. McCartney. Mr. Colby, can you tell us how many counties we are going into in 1958?

Mr. Colby. In 1958, Congressman, we added, as I recall, a few burley counties around Lexington—and we added 1 or 2 flue cured counties in North Carolina making a total of 6 new tobacco counties.

Mr. Natcher. The 6 are to be added to the 149 counties for 1957?

Mr. Skeffington. That is correct.

Mr. Natcher. Did you say 5 or 6?

Mr. Skeffington. Six all told.

Mr. Natcher. Six all told.

Now, Mr. Chairman, with your permission, at this point in the record I would appreciate it if they would insert a short chart showing the number of counties in each of the States in which you have your program under way, just the number.

Mr. McLAIN. That is for tobacco?

Mr. NATCHER. Just tobacco.

Mr. McLAIN. We will be glad to do that.

(The information referred to is as follows:)

Tobacco insurance counties by States for 1958 crop year

State	Number of counties
Connecticut	1
Florida	5
Georgia	14
Kentucky	41
Maryland	3
Massachusetts	1
North Carolina	33
Ohio	3
Pennsylvania	1
South Carolina	10
Tennessee	27
Virginia	15
Wisconsin	2
Total, 1958 tobacco counties	156

Mr. NATCHER. That is all, Mr. Chairman.

DISASTER RELIEF AND CROP INSURANCE COSTS

Mr. MARSHALL. In this disaster relief work, you have 14 counties that failed to qualify.

How much was the disaster relief funds in those 14 counties that you said were dropped?

Mr. McLAIN. We will have to get that from our records. We dropped them in 1956. You want the disaster relief funds since 1956?

Mr. MARSHALL. That is right.

Mr. McLAIN. We will furnish that for the record.

Mr. MARSHALL. You will furnish that for the record.

And we would like along with that, when you are furnishing that, we would like for you to compare that with the crop insurance losses in the previous years in the programs in effect.

Mr. McLAIN. We will do that. It will be interesting to look at the two.

(The information referred to is as follows:)

Summary of insurance experience of 14 discontinued counties in Dust Bowl

State and county	Years of operation	Premiums	Indemnities	Net loss
Colorado:				
Baca	1948–55	$1,561,272	$4,034,726	$2,473,454
Conejos	1950–55	82,609	332,982	250,373
Kiowa	1948–55	633,625	2,347,407	1,713,782
Las Animas	1952–55	138,614	529,542	390,928
Otero	1951–55	80,832	360,611	279,779
Prowers	1948–55	691,283	1,929,035	1,237,752
New Mexico:				
Curry	1948–55	1,758,368	5,270,592	3,512,224
Quay	1948–55	1,108,846	3,207,788	2,098,942
Texas:				
Childress	1948–55	100,006	386,981	286,975
Deaf Smith	1948–55	453,887	932,265	478,378
Hansford	1948–55	429,651	1,182,130	752,479
Ochiltree	1948–55	492,990	1,608,371	1,115,381
Runnels	1951–55	857,231	3,285,461	2,428,230
Taylor	1952–55	458,445	1,731,633	1,273,188
Total, 14 counties		8,847,659	27,139,524	18,291,865

Emergency agricultural assistance furnished, and soil-bank payments made, during period from July 1, 1956, to Dec. 31, 1957, in counties from which crop insurance program was withdrawn by Federal Crop Insurance Corporation

State and county	Emergency feed program [1]		Hay and roughage program [2]		Emergency wind erosion control program		Emergency and special livestock loans		Soil bank program	
	1956 program	1957 program	1956 program	1957 program	1956 program	1957 program	1956 program	1957 program	Acreage reserve payments [3]	Conservation reserve payments [3]
Colorado:										
Baca	$174,842	----------	$114,034	----------	$186,600	----------	$187,676	$30,044	$3,084,638	$325,792
Kiowa	78,359	$621	54,001	----------	227,636	----------	62,195	66,915	3,357,323	539,311
Prowers	137,816	----------	77,955	----------	105,000	----------	287,684	74,522	2,948,470	187,492
Conejos	56,110	----------	13,087	----------	----------	----------	157,885	2,300	36,891	388
Las Animas	188,573	656	63,668	----------	20,902	----------	191,160	66,835	153,555	130,395
Otero	32,490	----------	21,391	----------	----------	----------	359,281	6,845	11,370	6,925
Total, Colorado	668,190	1,277	344,136	----------	540,138	----------	1,245,881	247,461	9,592,247	1,190,303
New Mexico:										
Curry	158,174	777	65,536	----------	113,000	----------	77,215	3,165	848,570	1,469,063
Quay	395,750	1,590	114,243	----------	78,680	----------	59,275	16,110	515,599	1,875,309
Total, New Mexico	553,924	2,367	179,779	----------	191,680	----------	136,490	19,275	1,364,169	3,344,372
Texas:										
Childress	48,503	----------	28,246	----------	57,675	----------	252,615	33,050	745,382	530,571
Deaf Smith	104,020	----------	46,616	----------	25,820	----------	970,810	223,715	288,699	1,413,283
Runnels	195,881	374	36,171	----------	----------	----------	76,465	23,215	917,344	248,901
Taylor	153,410	601	49,934	----------	----------	----------	108,955	68,830	366,225	117,813
Hansford	24,333	252	8,364	----------	40,776	----------	50,105	52,425	850,988	89,399
Ochiltree	67,522	----------	38,430	----------	----------	----------	100,756	61,960	2,188,203	59,878
Total, Texas	593,669	1,227	207,761	----------	124,271	----------	1,559,706	463,195	5,356,841	2,459,845
Grand total	1,815,783	4,871	731,676	----------	856,089	----------	2,942,077	729,931	16,313,257	6,994,520

[1] Represents the value of dealer certificates issued.
[2] Represents the value of certificates issued to farmers and ranchers.
[3] Cumulative payments through Dec. 31, 1957.

Mr. McLain. Of course you understand, Mr. Marshall, if it begins to rain, like the good Lord had it last fall, that is different, but there was a long drought in these particular counties which is our concern.

Mr. Marshall. These elements have been one of the major concerns in connection with crop insurance. In my county we split the county into areas. No doubt there was good justification for doing that. But this past year the split didn't exactly give the true picture.

Mr. McLain. I see you have had hail in the meantime.

Mr. Marshall. Would you discuss your contract sales and servicing work?

CONTRACT SALES AND SERVICING

Mr. McCartney. Maybe I had better have Mr. Nikkel cover that. Mr. Nikkel is head of our sales division.

Mr. Marshall. How do you compare previous sales?

Mr. Nikkel. You want the discussion of our budgeted sales?

Mr. Marshall. That is right.

Mr. Nikkel. For this year, our budget provides for an increase of 46,599 new crops insured above the number we had in 1957, and we have budgeted for an additional increase of 15,000 in 1959.

On page 255 we have the breakdown which projects where this will occur. Now, as you know, we have to sell every contract. It is a selling job, and there is considerable variation between our estimate of where the majority of the sales might occur and where they do occur.

For 1959, the projected increase above the 1958 figure is 15,000 additional crops insured would bring us to a total in 1959 of 380,000 as compared with 318,000 in 1957.

We have a major change in our crop insurance operation and our ability to sell coming into the picture in 1958. We have changed our method of contracting so that we are offering in many of the counties in 1958 and will in most of them in 1959, a crop insurance policy—under which we may insure 1 crop or several crops. The farmer will have a choice as to the number of crops he wants insured.

We have added for 1958 about 126 new crops to be insured in counties, which should mean a significant increase in the number of crops insured in some areas.

For expansion in future years, the new contracting method makes it quite simple to add insurance on new crops in counties as compared with our past method.

We are expecting the offering of a broader insurance coverage to have a significant effect on the number of crops we will be insuring in 1958 and 1959.

As I say, it is just getting under way in 1958.

Mr. Marshall. Have you noticed any effect of the soil bank upon your participation of the crop insurance?

EFFECT OF SOIL BANK ON CROP INSURANCE

Mr. Nikkel. Yes. There naturally is an effect upon crop insurance participation. In any area where soil bank participation is heavy, two things happen.

A lot of our insured acreage will go into the soil bank. The contract will remain in force, but the man may have all or a major part of his insurable acreage in the soil bank.

The other factor, of course, and it is very significant from the standpoint of sales, is that in a county where a high percentage of the farmers are putting their acreage in soil bank, the interest in crop insurance is down very sharply. It is a waste of money and effort to go out and try to sell until that clarifies, because you may be selling insurance to men who are going to have nothing planted that crop year. Right now we do have quite a problem in cotton because in many counties, as you know, they are quite interested in putting cotton acreage in the soil bank. They have put a lot of cotton acreage in the soil bank. They are interested in putting a lot more into soil bank and there is uncertainty in many of our cotton counties as to what their situation is going to be. Until that clarifies, in those particular counties, we are sort of stalemated as far as doing a realistic and efficient selling job.

If most of the acreage goes in, of course, we would be foolish to be out writing contracts that would turn up as zeroes.

Mr. MARSHALL. If the soil bank acreage reserve part should become increased in the future, it might seriously affect the sales of crop insurance?

Mr. NIKKEL. Well, Congressman, it would in those areas where the crop wasn't being planted, where the acreage was going in. That is the thing that affects us. In a county where only a few farmers are putting acreage in soil bank, the situation is no different for us than it has been in the past. It is where for economic reasons, or other reasons, farmers are interested in taking the soil bank payment and not producing for the particular year.

For example, the same reason we paid losses has stimulated participation in soil bank acreage.

Many farmers had a good crop but before they could get it, the rains came and before they could harvest in some cases they actually had an insured loss.

So when they took their pencil and figured out where they would have been had the acreage gone in the soil bank, they naturally felt their financial position has been worsened by staying out this year and now they are quite interested in putting acreage into the soil bank. I think Mr. McLain probably knows better than I that the cotton area generally has a very intense interest in the soil bank at this point.

CROP INSURANCE AND SOIL BANK PAYMENTS

Mr. MARSHALL. Mr. Secretary, during 1956, you made a number of payments for crop insurance on farms where you had land which was eligible for the soil bank, so that the farmer received payment for his soil bank and his crop insurance both.

Were there any recurrances of that during 1957?

Mr. MCLAIN. To my knowledge, no.

That happened, you see, where the soil bank program was started in the middle of the year, and the farmer put his acreage in the soil bank. This stopped after 1956. Is that right, Frank?

Mr. MCCARTNEY. That is right. We had none in 1957. If acreages went in the soil bank, they were in early enough so that they were excluded from insurance protection.

1956 CORN CLAIMS

Mr. MARSHALL. We had some experience in 1956 where some landholders or some producers collected insurance on the farm where the other party was not eligible.

How did you come out with that?

Mr. MCLAIN. Do you want to comment on that, Mr. McCartney?

Mr. MCCARTNEY. I think that was where the tenant received an indemnity and the landlord didn't.

Mr. MARSHALL. My understanding was that there was a time limit in which they had to file a claim, that if one party or the other failed to file a claim. That is what I had reference to.

Do you recall that?

Mr. MCCARTNEY. I don't recall those specific cases, but we did have a time limit on when they had to file.

Mr. MCLAIN. Mr. Evans, let us have your comments.

Mr. EVANS. Mr. Chairman, I believe you are referring to the cases we had on the settlement of corn losses where the corn acreage was put in the soil bank. Because of the rapidity with which that situation developed, we didn't have adequate time to set up our appraisal method, and in some instances, due to a misunderstanding of instructions, there were a few cases where the adjusters would adjust the tenants' loss on one basis, leaving sample rows of corn to be counted for production, and the landlord's claim was adjusted a little later on an actual production basis. Actually there were only two cases reported where payments were made in different amounts.

Mr. MARSHALL. That was the instance I was referring to. It did create quite a lot of disturbance. We heard quite a little about that, and you were in the process, as I recall, when you were up here a year ago, making settlement of those cases.

My question now is directed as to how did you dispose of those finally.

Mr. EVANS. Well, I believe practically every one of those cases has been taken care of.

AGENT'S COMMISSION RATES

Mr. MARSHALL. What commission rates do you pay your agents?

Mr. MCCARTNEY. For new business, we pay agents a flat amount of $5 per contract plus 12½ percent of the premium collected.

We pay $4 per contract plus 5 percent of the premium for renewals; that is, on policies that have been in effect for a year or more.

Mr. MARSHALL. For how long a period of time do you write this?

Mr. MCCARTNEY. Contracts are written for an indefinite length of time. They remain in force until canceled either by the Corporation or the individual.

Mr. NATCHER. Mr. Chairman, will you yield at that point?

Mr. MARSHALL. Yes.

Mr. NATCHER. How does your rate compare to the rate paid by agents of insurance companies generally?

Mr. MCCARTNEY. Well, on crops, which would be covered by hail insurance, the average rate runs from 25 percent down to 20 percent, in some areas down to 15 percent, with no flat amount in addition to the percentage.

So, on new business, we pay slightly below what an agent would make if he wrote similar policies for hail insurance only.

COUNTY ADMINISTRATION

Mr. MARSHALL. What success have you had in getting agents to sell insurance on this basis?

Mr. MCCARTNEY. It has been a problem with us.

Mr. MARSHALL. In what way?

Mr. MCCARTNEY. Well just to find good agents. It is a problem, of course, for any insurance company. If you have an insurance company with all good agents, you would have a good company. There is no question about that. About half of our counties now are serviced by regular agents. We have a number of very good ones, some that are average, and some that are poor. I don't think we are any worse off on an average than any insurance company.

Mr. MARSHALL. How do you handle your sales program in counties where you do not have agents?

Mr. MCCARTNEY. We have hired people that are paid salaries, to actually do the selling. They may work the whole State, that is, start at one end and just go right across the State.

Mr. MARSHALL. What grade are these? Do they have a standard grade?

Mr. FRETTS. GS–5 and 6.

Mr. MCCARTNEY. We have a key salesman who is a grade 6, and a regular salesman who is a grade 5.

Mr. EVANS. We also have service agents to handle the paper work in the counties where we cannot get regular agents. We contract for their services and pay them a small commission for maintaining a point of contact for the farmers, collecting premiums, and processing acreage reports.

LOSS ADJUSTMENT

Mr. MARSHALL. On page 259 of your justification, you have your loss adjustment workload.

Will you talk to us about that?

Mr. MCCARTNEY. Yes, sir. It shows that we received 123,000 loss notices from insureds. Of these, we sent out inspectors or loss adjusters to look at 118,000. The difference of 5,000 were settled by correspondence when it was determined that an inspection was not necessary.

Sixteen thousand inspections were made in areas where losses were heavy and our liability was the greatest. We made these inspections before we received a notice of loss.

Of the 123,000 notices of loss we received, only 62,000 indemnities were paid.

Mr. MARSHALL. Of those that sent you notices, only approximately less than half were indemnified?

Mr. MCCARTNEY. That is right.

You see, insureds are supposed to notify us if they have any damage, whether it is enough for an indemnity payment or not. We still want to know if the crop is damaged.

Mr. MARSHALL. How long does it take a farmer to get his claim paid after losses?

Mr. McCartney. Normally, the adjuster would go out, look at the loss, make his determination of what the loss is, and sent it to the State office. It then goes to our branch office in Chicago where the indemnity check is issued.

Now, we do have times when payments are delayed for some reason or other. For example, on this citrus loss we have just had, there was some question about just how we were going to handle it. So we instructed the field to hold up on the losses for a couple of weeks until we could be certain of the proper course to follow. But unless there is some question, claims are paid within a few weeks.

Mr. Evans. This year we have been paying losses on an average of from 10 to 14 days from the time that the insured reported the loss, unless there was some question about the case; but the overall average runs between 10 days and 2 weeks.

Mr. Marshall. Who adjusts these losses?

Mr. Evans. Local adjusters.

Mr. Marshall. How are they paid?

Mr. Evans. They are paid on what we call a WAE basis, when actually employed.

We have about 1,000 of them under appointment throughout the country.

Mr. Marshall. At what rate of pay?

Mr. Evans. Grade 5, $14.08 a day.

Mr. Marshall. Do you have much of a backlog of claims pending at the present time?

Mr. Evans. No, sir. The only claims we have pending right now is where there is some question about production. We are waiting to see the outcome of the crop, where we feel that we can make a better appraisal if we wait a little longer.

Now these are very few. For all intents and purposes, our loss claim workload is completed this year with the exception of late tobacco claims.

Mr. Marshall. Mr. Andersen?

EXPANSION OF MULTIPLE CROP INSURANCE

Mr. Andersen. One question, Mr. Chairman.

Do you propose to increase the multiple-crop insurance counties this coming year?

Mr. McCartney. This new policy we are writing is going to take the place of the old multiple program. We won't call it a multiple program any more. We will insure several crops separately, but they will all be under the same policy.

Mr. Andersen. So, in reality, a county like mine, which is Lincoln County, Minn., where you insure, if I recall rightly, corn, barley, and flax at present, you would consider that a multiple crop insurance county at present, is that it?

Mr. McCartney. Is that a multiple——

Mr. Andersen. Not as we formerly understood it, though.

Mr. Colby. Not as we formerly understood it because we were combining all the crops for coverage purposes, but we modified that multiple contract, Congressman Andersen, and permitted the farmer to settle the loss individually on each crop.

Mr. ANDERSEN. But you are in effect keeping the multiple crop insurance counties.

Mr. COLBY. Yes, and we are still offering the combined coverage. We are, in addition, offering a select crop multiple-type insurance.

Mr. ANDERSEN. That is what my question had to do with. Are you actually extending the multiple combined protection to counties?

Mr. MCCARTNEY. We are not this year.

Mr. ANDERSEN. The multiple crop, however, does show a pretty good record for 1957.

Mr. MCCARTNEY. Next year we won't show nearly the premium income for the multiple-crop program because it will be distributed under the separate crop programs. But each county will have the same coverage under our new program as under the multiple at the present time.

STATUS OF CORPORATION CAPITAL

Mr. MARSHALL. On page 249, we notice a statement concerning insurance operations and changes in capital. We note that in 1957 you have $15,294,401 at the beginning of the year, and the capital at the end of the year was $21,538,135.

Where do you stand as far as your capital stock is concerned? Is your capital stock adequate?

Mr. FRETTS. If you follow through the next column for the 1958 fiscal year, which is the year we are in at the present time, you will note we start out with $21 million net capital, and end up with, down at the bottom of that column, $25.5 million.

The difference is primarily the result of the surplus that was realized on the 1957 crop.

Mr. MCLAIN. On that, I think the answer is we are heading in the right direction. If we can just keep it up, we won't have any trouble in this area. We had some grave concern, of course, as to the way we were going for a while.

Mr. FRETTS. We are in better position now than a year ago by $4 million.

Mr. MARSHALL. When was the last time we increased the capital stock?

Mr. FRETTS. It shows up in the fourth figure in the 1957 column; $13 million was appropriated in the 1957 fiscal year.

I might add, of the $100 million that is authorized, $40 million has been subscribed and paid for by the Secretary of the Treasury.

PERSONNEL

Mr. MARSHALL. How many employees do you have in Washington and in the field. We would like for you to supply that for the record, for 5 years ago as compared with now.

Will you do that?

Mr. FRETTS. Yes, sir.

(The information referred to is as follows:)

Federal Crop Insurance Corporation

	Employment on Jan. 31, 1953			Employment on Jan. 31, 1958		
	Headquarters	Field	Total	Headquarters	Field	Total
Full-time	130	425	555	99	401	500
Part-time		375	375		588	588
Total	130	800	930	99	989	1,088

Mr. MARSHALL. Do you have anything else that you wish to present to us?

Mr. MCLAIN. No.

Of course, we would say frankly, Mr. Marshall, that the good Lord had as much to do with the record we have this year as anybody, but we do think we are making some progress with this program. If you can just give us decent weather, we can guarantee you a lot better record.

Mr. MARSHALL. You are in rather an odd position. You want good weather for crop insurance, and then are up here next week to talk to us about surpluses. Then you are going to take a little different tack.

You are the kind of man that wears two hats.

Mr. MCLAIN. That is right. When this program works most successfully, we have some others that don't. That is for sure. But we much prefer to see good weather as far as farmers are concerned. I think everybody is better off. We all know that.

CROP INSURANCE—DISASTER RELIEF

Mr. MARSHALL. This committee has been quite interested in crop insurance from the standpoint of trying to see two things: One whether it would be proving a successful program in order to interest people in the commercial-insurance field, and the other, we have been thinking in terms of how it might relieve our load as far as disaster is concerned.

Mr. MCLAIN. We concur in both of those, and if you have any suggestions as to how we might improve it, we will appreciate getting them.

Mr. MARSHALL. We are a little bit at a loss here, because we talked with you and your answers were in quite general terms. If you review the remarks and find out where you can add specific facts to your general remarks, it will be appreciated.

Mr. MCLAIN. All right.

Mr. MARSHALL. Because it isn't only a matter of insurance as far as disaster on crops is concerned, but there are people that have talked about a general disaster-insurance plan, and this might be helpful if any facts could be placed to substantiate the value of a crop-insurance program to relieve the disaster costs, it would be well.

(The information requested follows:)

Federal Crop Insurance Corporation losses compared with estimated obligations for emergency agricultural assistance programs and soil-bank program, crop or program years 1948 to 1957, inclusive

Crop or program year	Federal Crop Insurance Corporation			Emergency feed and hay		Emergency measures under ACP program
	Premiums	Indemnities	Surplus or deficit (−)	Transportation handling and distribution	Feed and hay	
1948	$12,683,935	$6,779,952	$5,903,983			
1949	11,732,885	15,531,391	−3,798,506			
1950	14,101,948	12,800,867	1,301,081			
1951	19,109,207	21,339,612	−2,230,405			
1952	21,199,369	20,608,537	590,832			
1953	27,094,041	31,054,482	−3,960,441	$31,191,680	$41,915,799	
1954	22,654,797	28,030,713	−5,375,916	6,130,112	61,181,906	$7,671,268
1955	22,329,675	25,504,643	−3,174,968	877,129	20,738,730	5,453,945
1956	22,145,058	27,888,657	−5,743,599	3,311,565	[1] 143,012,764	3,774,787
1957	17,326,200	11,331,500	5,994,700	678,000	[3] 5,482,351	
Total	190,377,115	200,870,354	−10,493,239	42,188,486	272,331,550	21,900,000

Crop or program year	Emergency credit				Soil bank program
	Production emergency loans	Economic emergency loans	Special livestock loans	Special emergency loans	
1948	$974,948				
1949	29,833,887				
1950	19,198,873				
1951	31,491,775				
1952	43,225,067				
1953	31,812,991	$26,521,133	$35,429,749		
1954	28,402,293	39,584,651	19,413,325	$1,550,821	
1955	37,030,315	23,059,006	13,440,685	13,381,813	
1956	39,159,293	6,400,161	10,861,663	9,693,937	[2] $273,514,116
1957	27,617,000	4,000,000	5,000,000	12,000,000	[4] 671,935,645
Total	288,746,442	99,564,951	84,145,422	36,626,571	945,449,761

[1] Includes $17,426,445 of program costs for emergency hay and roughage program.
[2] Consists of maximum possible 1956 program payments for the acreage reserve program, $260,362,982, and for conservation reserve program, $13,151,134.
[3] For the period July 1 to Dec. 31, 1957.
[4] Consists of estimated maximum possible 1957 program payments for the acreage reserve program, $613,838,570, and for the conservation reserve program, $58,097,075.

Mr. McLain. We are very much interested in the counties where we have crop insurance in getting people to participate as much as we can. The fact is, we have discussed whether it would be advisable from the standpoint of our disaster programs in counties where we had to go in with them, and farmers had the opportunity to get crop insurance, whether they ought to be treated differently than other farmers. It is very difficult to do, but it is a thing we have thought about because certainly while crop insurance is available—we don't feel it ought to be compulsory on anybody, but if it is available and a person doesn't take advantage of it, he is just like a fellow that loses his house if it burns and he didn't have insurance on it.

But we are trying hard to develop a program here that will do the job. Of course, I have been frankly disappointed at the response we have had from outside interests in trying to develop a program with us. There the argument—with those that I have talked to—has been, "Well, we don't have the actuarial experience to know how to go into this. Our rates would be prohibitive, and we just don't think it would be practical."

Well, we have heard that on many other kinds of insurance in the early stages of insurance. So I don't think that is an adequate answer myself.

But, of course, we can't tell anybody outside what to do. But if we can prove that it can be done, then I think we have set the stage where interested people outside may take hold of it and that is what we are hopeful of.

If any of you on the committee have any suggestion as to how we might improve the program, we would be glad to have it because we want to improve the program as rapidly as we can. I think we have made some progress in the last few years.

Mr. MARSHALL. Are you recommending any changes in legislation on crop insurance?

Mr. MCLAIN. No.

Mr. MARSHALL. You expect to carry on the program in about the same way this coming year as you carried it on this last year?

Mr. MCLAIN. That is right.

Mr. MARSHALL. This disaster work has meant setting up some additional administrative machinery on the part of the Federal Government. It also relieves some temptation for some misuse of that program, which certainly could be largely alleviated if crop insurance was attractive enough to displace the disaster loan. It does seem that some of these things we are doing are kind of discouraging people from taking part in crop insurance because a person can come into the soil bank, get disaster money, and so forth.

Mr. MCLAIN. Well, with the soil bank, it does hinder our crop-insurance program. But with the soil bank, of course, after the year 1956, the farmer had to make a determination ahead of time as to what he was going to do. He just gambled as to whether he was going to raise a crop or make more money this other way. But with the disaster relief, he doesn't do that. He waits until he is in trouble and asks for help. That is the difference. It is quite different in my judgment.

Mr. MARSHALL. We thank you.

Mr. MCLAIN. Thanks to you.

Mr. MARSHALL. The committee is adjourned until 1 o'clock Monday.

SURPLUS AGRICULTURAL COMMODITY PROGRAMS UNDER SECTION 32, PUBLIC LAW 320 (74TH CONG.), PUBLIC LAW 480 (83D CONG.), MUTUAL SECURITY ACTS, UNITED STATES DEPARTMENT OF AGRICULTURE

A REPORT TO THE COMMITTEE ON APPROPRIATIONS, UNITED STATES HOUSE OF REPRESENTATIVES, SURVEYS AND INVESTIGATIONS STAFF, FEBRUARY 1958

SUMMARY AND TABLE OF CONTENTS

I. INTRODUCTION

II. ACTIVITIES UNDER SECTION 32 PROGRAMS

A. LEGISLATIVE BACKGROUND

B. TYPES OF PROGRAMS UNDER SECTION 32

There are three types of programs under section 32. The export program involves a subsidy payment to commercial exporters to enable them to meet foreign competition on privately owned surplus commodities. The purchase and donation program involves the purchase of surplus agricultural commodities through regular trade channels and donation of the commodities to eligible outlets through State distributing agencies. The diversion to new use program involves the use of surplus agricultural commodities in a different process than normally used. In the last case subsidy payments may be made to the farmer who sells the commodity or to the processor who diverts the commodity to a new use.

C. DETERMINATION OF COMMODITY, METHOD AND LEVEL OF SECTION 32 ASSISTANCE

The Secretary of Agriculture makes the determination relative to instituting a section 32 program. In considering whether a section 32 program should be granted, the Secretary ascertains whether the surplus is physical or economic and selects a program best adapted to the needs. Over 51 percent of funds are programed for perishable commodities. Section 32 programs are undertaken only to the extent that the acquired commodities can be distributed to eligible outlets. Assistance is not given a commodity if the price level of the commodity exceeds 90 percent of the parity and finally a determination is made of the anticipated cost of the program.

D. POINTS FOR CONSIDERING THE AUTHORIZATION OF A SECTION 32 PROGRAM

The United States Department of Agriculture (USDA) has adopted certain standards as a guide for determining the eligibility for assistance under section 32. Some of the more important standards are (1) a request from a responsible group of producers of the commodity involved, (2) supplies are actually in excess of available markets, (3) the commodity is of importance to the economy of the producing area and to the economy of the producers, (4) the compensation is not for loss due to a natural disaster, (5) the producers have demonstrated a concrete effort toward keeping supplies in line with demand, and (6) the program is not aimed at tag end or cleanup supplies to be marketed.

After the above factors are considered, the USDA determines that the quanties to be acquired do not exceed available outlets, the quality of the commodity is of acceptable standard, the type of assistance will not establish a fixed-minimum price for the entire supply, total expenditures will not exceed 10 percent of the average farm value of the commodity involved, purchases will be made on an offer and acceptance basis, the relationship between nutritive value, or other measures of the usefulness of the product and cost, and that the assistance does not involve direct (benefit) payments to producers, processors, dealers, or handlers.

E. ELIGIBLE OUTLETS FOR DONATIONS

Section 32 established four general limitations on groups of persons who may receive the surplus commodities. Specific outlets have been defined by the Secretary of Agriculture to include schools, charitable or public-welfare institutions, welfare agencies, and nonprofit organizations providing emergency or disaster relief.

F. RELATIONSHIP BETWEEN SECTION 32 PROGRAM AND OTHER PRICE-SUPPORT AND ASSISTANCE PROGRAMS

1. Commodity Credit Corporation price-support program

CCC supports the price of an entire crop or product at an announced price level. Surpluses are removed from the market and stored for later return to the market. Both section 32 and CCC programs may be developed at the same time with CCC handling the procurement. Section 32 funds are used to reimburse CCC for quantities used for donation outlets.

2. National School Lunch Act

In 1948 and 1949 the school lunch program was financed entirely with section 32 funds. Since then, section 32 commodities have provided supplementary assistance to the school lunch program.

3. Domestic donations, section 416

Section 416 donations of CCC commodities may be made to the same outlets as those from section 32. Section 32 funds are generally limited to short-term programs or fulfillment of emergency needs which cannot be readily met under section 416. USDA policy, however, is to use excess section 32 funds to acquire CCC stocks to the extent that such expenditures will not preclude a $300 million carryover of section 32 funds into the following year.

G. FINANCIAL DATA RELATING TO THE SECTION 32 PROGRAM

Three schedules are set forth relating to the activities of the section 32 programs during the past 10 years. Commodity assistance has ranged from approximately $37 million to over $213 million annually.

H. REQUESTS FOR SECTION 32 PROGRAMS WHICH WERE DENIED

A number of examples of requests for section 32 programs and reasons for denial are illustrated under separate commodity headings in this report.

III. Activities Under the Public Law 480 Programs

A. TITLE I, PUBLIC LAW 480

Surplus agricultural commodities are sold under agreements entered into on a government-to-government basis. Payment is made by the foreign government with foreign currencies.

1. Types of sales agreements

Agreements have been of three types calling for different guarantees of foreign currency payment.

2. Sales agreements signed under title I as of December 31, 1957

A total of 107 agreements, or supplements thereto, have been signed with 35 foreign countries involving a CCC cost (including ocean freight) of approximately $3,343 million. A list of the agreements is set forth in this report.

3. Quantities of commodities covered by sales agreements under title I

A schedule is set forth listing the 35 countries and quantities of surplus agricultural commodities covered by the agreements.

4. Price values of commodities covered by sales agreements under title I

A schedule is set forth listing the 35 countries and showing the market value of surplus agricultural commodities covered by the agreements. The market value of commodities is $2,053.3 million (excluding ocean freight of $247.5 million), making a total agreement value of $2,300.8 million.

5. CCC cost of commodities programed under title I by country

A schedule is set forth listing the 35 countries and the estimated CCC cost of commodities covered by agreements. The estimated CCC cost, not including ocean freight, is $3,095.7 million.

6. Stage of completion of the title I program

A summary has been prepared which shows the progress of title I sales in relation to the total authorized by law ($4 billion), and the estimated remaining balance available for sale ($713 million).

B. TITLE II, PUBLIC LAW 480

Surplus agricultural commodities are donated to certain countries and certain peoples under the supervision of the International Cooperation Administration (ICA) to alleviate suffering following some national disaster. Examples of disaster conditions and donations are illustrated. Schedules are set forth which show that $358 million (CCC investment cost) of surplus agricultural commodities have been transferred abroad under this program. A summary has been prepared which shows the progress of title II donations in relation to the total authorized by law ($800 million), and the estimated remaining balance available for donation ($418 million).

C. TITLE III, PUBLIC LAW 480

Title III surplus disposals include domestic donations, foreign donations through voluntary relief organizations, and barter.

1. Section 302, domestic donations

This section provides for donations of CCC surplus agricultural commodities for use in nonprofit school lunch programs, charitable institutions, and hospitals, to the extent that needy persons are served. A schedule in this report shows that $286 million of surplus agricultural commodities were distributed to these outlets from July 1, 1954, through December 31, 1957.

2. Section 302, foreign donations

This section authorizes donations of surplus CCC stocks to United States nonprofit voluntary agencies for donation abroad. A schedule in this report shows that 4,713 million pounds of surplus agricultural commodities having an approximate CCC cost value of $935.7 million have been distributed under this program.

3. Section 303, barter

Barter transactions are effected through contracts between CCC and private United States business firms under which the contracting firms use commercial trade channels. Surplus agricultural commodities are exchanged for either strategic materials for stockpiling or supply materials for United States Government agencies. Schedules are set forth in this report which show that materials valued at $873 million have been received, and surplus agricultural commodities have been exported in exchange having an export market value of $898 million or a CCC investment cost of approximately $1,349 million.

IV. Local Currencies Generated by Title I Sales Agreements and Use of Currencies

A. FINANCIAL ARRANGEMENTS FOR TITLE I, PUBLIC LAW 480 TRANSACTIONS

CCC issues letters of commitment to United States banks in amounts requested by importing countries. CCC reimburses the United States banks for payments made under letters of credit to private United States exporters. The foreign commercial importer pays for the surplus commodities in foreign currencies by making deposits to the account of the United States in foreign banks. To the extent CCC is not otherwise reimbursed by Government agencies utilizing foreign currencies accruing under title I transactions CCC is reimbursed through appropriations for commodities disposed of and costs incurred.

B. PLANNED USES OF FOREIGN CURRENCIES GENERATED BY SALES AGREEMENTS UNDER TITLE I

Foreign currencies generated by title I sales agreements are being planned for a number of uses as required by section 104 of Public Law 480. Responsibility for developing specific programs in the foreign countries has been designated by Executive order to various agencies. A schedule is set forth in this report which shows the different planned uses of foreign currencies to be generated under the agreements signed as of December 31, 1957.

C. STATUS OF LOCAL CURRENCY ACCOUNTS

A schedule is set forth showing by country the foreign currency collections under Public Law 480 agreements, funds transferred for agency use, funds used by agencies, and balances on hand as of September 30, 1957. Schedules have

been prepared which show the amount of funds spent for specific programs and the amount of funds spent by each of the Government agencies.

D. SPECIFIC PROJECT USE OF FUNDS GENERATED THROUGH TITLE I SALES

Specific programs and project use of currency were late in getting started and agencies are just now beginning to show some results in terms of projects supported by Public Law 480 funds.

1. SECTION 104(A), PUBLIC LAW 480—AGRICULTURAL MARKET DEVELOPMENT

USDA has put into operation 163 projects in 28 countries involving expenditure of $9.1 million. Some projects are handled directly by USDA while others are handled through cooperation of private groups.

2. SECTION 104(B)—PURCHASE OF STRATEGIC MATERIALS

Circumstances have not been favorable for the Office of Defense Mobilization to use these funds for such purchases and none are planned. Funds are available generally in countries which are in poor economic condition and they are unwilling to sell materials for local currency when they can sell the materials for hard currency.

3. Section 104 (c)—Military procurement

Approximately $66.18 million of funds is being used directly by the Department of Defense (DOD) for projects such as airfields, docks, and oil lines; funds totaling $183.3 million are being reallocated to ICA to provide defense support to foreign government.

4. Section 104 (d)—Purchase of goods for other countries

ICA has developed plans for using $29.6 million of local currencies in this category. For examples, purchases of fertilizer and steel rails for Spain, paper for Korea, and ships for five eastern countries are planned.

5. Section 104 (e)—Grants for multilateral trade and economic development

Under this section, $7.5 million has been used by the ICA in Greece to assist in repairing earthquake damage.

6. Section 104 (e)—Loans to private enterprise

Public Law 128, 85th Congress (the Cooley amendment) approved in August 1957 provided that up to 25 percent of funds generated under each title I agreement shall be made available to the Export-Import Bank of Washington for this purpose. Since August 1957, $35.7 million has been designated by recent agreements for this purpose. An official of the Export-Import Bank of Washington advised that no loans under this section have been made to date although considerable interest is being shown by a large number of persons.

7. Section 104 (f)—Payment of United States obligations

A portion of the local currencies has been designated to DOD to finance construction of military housing. Provision is made for repayment to CCC from funds available to DOD for quarters allowances. Through December 31, 1957, $106.1 million had been designated for this purpose, $72.9 million of this amount had been allocated to construct 5,600 housing units; 2,300 of these units are completed.

8. Section 104 (g)—Loans for trade and economic development

Loan agreements have been negotiated by ICA with 20 foreign countries for $796.7 million of local currencies. Loan projects involving expenditures of approximately $463 million had been approved as of December 31, 1957. Some of the projects include relending to private enterprises.

9. Section 104 (h)—International educational exchange

As of December 31, 1957, the Department of State had completed 13 agreements providing for the use of $7.48 million in local currencies in support of education exchange activities involving professors, teachers, students, and specialists.

10. Section 104 (i)—Translation and publication

Approximately $3.3 million in funds is being used by the United States Information Agency (USIA) in the translation, publication, and distribution at reduced prices of American textbooks for use in foreign schools.

11. Section 104 (j)—Information and education

As of December 31, 1957, $12.5 million in funds to be generated through Public Law 480 sales has been designated for this purpose. Approximately half of this amount is available to USIA to aid binational centers in foreign countries. The balance of funds to be made available under this section is to be handled by the International Education Exchange Service (IEES) to aid American-sponsored schools in foreign countries.

V. Use of Agricultural Products Under the Mutual Security Program

A. LEGISLATIVE BACKGROUND

B. RELATIONSHIP OF ICA, DEPARTMENTS OF AGRICULTURE, DEFENSE, AND STATE IN ARRANGING SHIPMENTS UNDER SECTIONS 550 AND 402 OF THE MUTUAL SECURITY ACTS

1. International Cooperation Administration

ICA has direct responsibility for administering the Mutual Security Act and is required by law to use a minimum amount of surplus agricultural products in its program. Sales are negotiated with foreign countries and purchase authorizations are issued to private traders who export the surplus commodities.

2. Department of Agriculture

USDA notifies ICA of the commodities which have been declared surplus and ICA is required by law to use only such commodities.

3. Department of Defense

DOD keeps ICA advised of their anticipated military requirements for surplus agricultural commodities in foreign countries where DOD has military programs. DOD also advises ICA of the estimated local currency requirements it will need in certain countries to meet the military budget support and local purchases.

4. Department of State

The United States ambassadors in foreign countries review ICA surplus commodity negotiations for policy matters consistent with Department of State policy pertaining to a particular foreign country.

5. *Sales under section 402 of the Mutual Security Act*

ICA has found it increasingly difficult to continue surplus agricultural sales abroad due to a shift of mutual security programs from the traditional markets for agricultural products to the underdeveloped areas whose economies are predominantly agriculture. Two schedules are set forth in this report showing by country the quantities and market value of surplus agricultural commodities programed under the Mutual Security Acts beginning with the fiscal year 1954 through December 31, 1957. Another schedule shows the quantities, CCC cost value, and sale price of commodities acquired directly by ICA from CCC for export under the mutual security programs.

I. Introduction

By directive dated August 23, 1957, the committee instructed this staff to conduct an inquiry into the following activities of the United States Department of Agriculture:

1. The handling of the section 32 program during the past 10 years, including the following:
   (*a*) Amounts collected each year;
   (*b*) Funds used each year, with details as to purposes for which used and commodities benefited;
   (*c*) Unused balances of funds returned to Treasury each year;
   (*c*) Requests from Members of Congress, farm organizations, and others
2. The conduct of the Public Law 480 program since its inception, including for use of section 32 funds for price-support purposes, which were denied.

the following:

(a) Description of agreements entered into under title I, showing quantity and both CCC value and market value of commodities shipped to each country.

(b) Amount of local currencies generated by such agreements, in terms of both CCC values and world market values, and purposes for which such currencies are to be used under the agreements.

(c) Amounts of local currencies deposited to United States accounts, amounts used, and balances available, by countries and purpose. Indicate specific projects where possible, including military housing.

(d) Description of activities under other parts of the act.

3. Participation by the Department in shipment of United States agricultural commodities under the mutual-security program, as follows:

(a) Relationship with ICA, Department of Defense, Department of State, and others in arranging such shipments.

(b) Quantities and value of commodities shipped.

(c) Amount of dollars received as reimbursement to CCC.

With respect to item 1 of the directive, the section 32 program (Public Law 320, 74th Cong., as amended), the staff conducted a series of interviews with officials of the United States Department of Agriculture (USDA), including officials in the Agricultural Marketing Service (AMS), who are responsible for administering the program. Specific information concerning the administration of section 32 programs, requests for section 32 programs which were denied by USDA, and financial information necessary to comply with the directive was furnished by officials of USDA at the request of the staff.

In pursuing the inquiry relative to item 2 of the directive, it is to be noted that the overall responsibility for the administration of Public Law 480, 83d Congress, as amended, is delegated to the USDA, with certain responsibilities for implementing certain programs shared by several other departments and agencies. The departments and agencies having an administrative responsibility in Public Law 480 programs are the USDA, Department of State, Treasury Department, Department of Defense, Office of Defense Mobilization, Bureau of the Budget, International Cooperation Administration, United States Information Agency, International Educational Exchange Service, and the Export-Import Bank of Washington. The staff contacted officials of each of the interested departments and agencies and obtained pertinent program information, as well as statistical data necessary to complete this report.

Item 3 of the directive deals with the USDA's participation in the use of surplus agricultural commodities in the several Mutual Security Act. Sales of agricultural commodities for foreign currencies were first initiated in the Mutual Security Act of 1953 (Public Law 118, 83d Cong.) and have been included in each successive Mutual Security Act approved subsequent to the act of 1953. This program is administered by the International Cooperation Administration (ICA) as a foreign aid program, rather than a surplus sales program; however, surplus agricultural commodities of the United States are sold under this program for foreign currencies to friendly countries. Purchases of surplus commodities are made by ICA from private traders, who may acquire the commodities from the Commodity Credit Corporation (CCC) if they do not have the commodities on hand. Contacts were made by this staff with the USDA, the Department of Defense, the Department of State, and the ICA in an effort to obtain data relative to their participation and relationship to the total program.

21494—58—pt. 2——44

II. Activities Under Section 32 Programs

A. LEGISLATIVE BACKGROUND

Congress in 1935 enacted legislation (Public Law 320, 74th Cong.) to widen market outlets for surplus agricultural commodities as one means of strengthening prices received by farmers. Several amendments have been made to the act, however, section 32 of the act now contains three clauses authorizing certain types of programs.

Clause (1): To "encourage the exportation of agricultural commodities and products thereof. * * *"

Clause (2): To "encourage the domestic consumption of * * * commodities or products by diverting them * * * from the normal channels of trade and commerce or by increasing their utilization * * * among persons in low-income groups. * * *"

Clause (3): To "reestablish farmers' purchasing power by making payments in connection with the normal production of any agricultural commodity for domestic consumption."

Section 32 programs are financed by a continuing appropriation equal to 30 percent of the import duties collected on all commodities entering the United States under the custom laws, nonagricultural commodities as well as agricultural, plus unused balances to the extent of $300 million. These funds become available at the beginning of each fiscal year without any further legislation.

Under the Agricultural Act of 1956 (Public Law 540, 84th Cong.), an additional sum of $500 million may be appropriated annually to carry out the purposes of section 32 in an emergency situation where total funds needed for a price-assistance program are greater than the funds available under the continuing appropriation.

Of the funds available from customs receipts, no more than 25 percent can be spent on any 1 agricultural commodity in any 1 fiscal year. However, up to 50 percent of the $500 million authorized to be appropriated under the Agricultural Act of 1956 may be devoted to any agricultural commodity during any fiscal year.

The Agricultural Act of 1949, Public Law 439, 81st Congress, stated that section 32 funds were to be devoted primarily to the support of perishable agricultural commodities. Occasionally, section 32 funds have been made available by legislative action for other purposes, such as for cotton price adjustment payments, refunds of processing taxes, agricultural conservation program operations, and national school-lunch activities.

Section 32 funds can be used for price support as well as surplus removal inasmuch as the Agricultural Act of 1949 states that:

> * * * the Secretary shall provide the price support authorized or required herein through the CCC and other means available to him.

Other means, of course, would include section 32.

Beginning with fiscal year 1939, Congress authorized an annual transfer of $175,000 of section 32 funds to the United States Department of the Interior for the purpose of conducting a fishery educational service and developing markets for fishery products. In fiscal year 1954, and for a 3-year period, Congress fixed the annual amount to be transferred to Interior to an amount equal to 30 percent of the gross receipts from duties collected under the customs laws on fishery products. To carry out the act, not more than $3 million could be

spent by the Secretary of Interior in any fiscal year, and any excess of a balance of $5 million was to be transferred to the Secretary of Agriculture to be used for section 32 purposes. This has now become permanent legislation through Public Law 311, 84th Congress.

B. TYPES OF PROGRAMS UNDER SECTION 32

Under the authority of section 32, as amended, the USDA conducts 3 types of programs. A description of each follows:

1. Export program

Most section 32 export programs involve cash payments to commercial exporters following the export of privately owned commodities. In initiating a program, the USDA notifies exporters of payment rates on exports to certain destinations, and the basic terms and conditions of the program. The exporter then enters into a contract with his regular customer in a foreign country. He buys the commodity in the United States at the market price and because of the cash payment he will collect from the Federal Government he can therefore sell to his customer at the competitive world price, which is generally below the United States domestic market price. After export, which is handled through regular trade channels, the exporter receives a supplementary payment from section 32 funds. The exporter's return on the transaction, then, comes from two sources, (1) the sales price from the foreign buyer and (2) the subsidy payment from section 32 funds.

In fiscal year 1957 export payments were made on wheat and wheat flour exported in fulfillment of obligations of the United States under the International Wheat Agreement, fresh and processed citrus fruit, frozen poultry meat, and raisins.

2. Purchase and donation program

Purchases of surplus agricultural commodities are made through regular trade channels from farmers, farmers' agents, cooperatives, and in some cases processors. Sometimes purchases are made from the CCC. Commodities purchased are donated through the facilities of State distributing agencies to groups eligible to receive them under law.

Section 32 funds are used to pay the cost of shipping the commodities to central receiving points within the States. Purchases are limited to quantities that eligible outlets can use. A survey is made by the USDA through State distributing agencies to determine the quantity of the commodity that these agencies can distribute to eligible outlets. Based on the information received the USDA will determine whether the amount needed, if purchased under a section 32 program, is sufficient to cause the desired increase in the market price of the commodity. If there is an insufficient demand for the commodity the USDA will not enter into a section 32 purchase and donation program.

3. Diversion to new use program

The objective of this type of a program is to encourage the use of the surplus commodity in a different way than would occur without the program. In some cases payments are made to the processors to subsidize the use of the commodity in a new way. This enables

the processor to pay the full market price for the commodity in instances where it would normally be too expensive to process the commodity because of the high cost of agricultural raw materials. In other cases the payment is made to the farmer who sells the commodity to be diverted at a reduced price. A new outlet is provided for the commodity which does not involve processing as part of the diversion. Commodities are sold through regular trade channels. Diversion programs have taken many forms, including experiments or demonstrations to develop new uses; operations involving increased use of surpluses in byproduct or secondary uses; and action to make products available to consumers in areas outside those in which the products usually are marketed.

C. DETERMINATION OF COMMODITY, METHOD AND LEVEL OF SECTION 32 ASSISTANCE

The Secretary of Agriculture determines which commodities receive assistance, the type of assistance, and the level and extent of assistance. Section 32 provides that available funds shall be expended by the Secretary of Agriculture for such purposes, at such time, and in such a manner as he finds will effectuate substantial accomplishment of one or more of the purposes of section 32.

The major factors guiding the Secretary in determining the commodities, method and level of section 32 price assistance are:

1. Existence of surpluses

Section 32 programs are put into effect in order to remove surpluses which may be physical (available supplies exceed normal domestic, export, and stock requirements), or economic surpluses (prices are below certain desired levels). When a small surplus exists a program is selected which will do the job most effectively. When a large surplus exists and the quantity is greater than can be moved by any 1 of the 3 basic methods, every possible outlet is explored. Conditions which cause the surpluses, whether they are factors beyond the growers' control or within the growers' control, are important. In the case of fruits and vegetables and other perishable commodities, if the USDA has recommended production goals, no section 32 programs are undertaken when the surplus problem arises because producers have substantially exceeded the recommended goals.

2. Preference for perishable commodities

Section 411 of the Agricultural Act of 1949 instructed that, beginning with January 1, 1950, section 32 funds must be used principally for perishable, nonbasic, agricultural commodities (other than those nonbasic agricultural commodities named in title II of the Agricultural Act of 1949) and their products. The commodities excluded are the basic commodities, such as corn, cotton, wheat, rice, peanuts, and tobacco, and the nonbasics designated in title II, such as milk, butterfat, wool, mohair, tung nuts, and honey.

The General Counsel of USDA issued an opinion dated June 13, 1956, which concluded that—

* * * if the principal portion of section 32 funds is set aside or reserved for use of perishable commodities, * * * the remainder of such funds may then be

used for nonperishable commodities and other uses which Congress has authorized for such funds, irrespective of the amount of section 32 funds which may ultimately be expended or actually obligated for perishable commodities.

The general operating practice of USDA is actually to spend a major portion (over 51 percent) of the funds for perishable type of commodities.

3. Extent of surplus and available outlets

The USDA follows a policy of encouraging, through its plentiful foods program and other means, the movement of surplus commodities through regular trade channels before resorting to direct Government aid. Section 32 programs for specific commodities are not undertaken unless the USDA has potential outlets and such programs are not continued beyond the capacity of available potential outlets. Section 32 funds are not used to purchase for general storage or stockpiling, although purchases may be retained in private storage temporarily when potential outlets are known. Commodities, such as meats and dairy products, have been purchased and stored in the summer months for fall and winter donation to schools but only to the extent that the amounts did not exceed previously determined demands.

Section 32 programs are in the nature of price-assistance rather than price-support programs. The programs are continued only until the requirements of the outlets are saturated unless the surplus has been dissipated first and market conditions have become stabilized. Then the program may be withdrawn prior to filling outlet requirements.

4. Acquisition of commodities

Purchases may be made from producers, handlers, processors, other commercial sources and the CCC.

Under export and diversion programs the USDA does not take title to thec ommodity, but, instead, makes payments at specified rates on commodities exported or diverted.

5. Level of assistance

The Secretary of Agriculture has decided that section 32 programs give assistance at a price level which cannot exceed 90 percent of parity and generally are well below this price level.

(*a*) *Purchase and donation programs.*—Surplus commodities usually are purchased at prevailing market prices on the basis of offers from processors or distributors provided the purchase price does not exceed the maximum price approved by the Secretary.

(*b*) *Export programs.*—Payments to encourage exports are set at a level which will enable the exporter to pay the prevailing domestic market price and then sell the commodity abroad to meet foreign competition.

(*c*) *Diversion to new use programs.*—Payments are set at a level which will enable these commodities to move into new uses. The size of payment depends upon how large an incentive is required to encourage a person to put the commodity to the new use.

6. Relative cost

The relative cost of the various methods is a factor. The most expensive is the purchase and donation program with the diversion and export programs following in that order.

Under the purchase and donation program the USDA pays for the entire cost of the commodity, whereas under export and diversion programs the USDA pays only for the difference between the domestic market price and the export price or the difference between the market price and the price a processor will pay for the commodity to put it into a new use.

D. POINTS FOR CONSIDERING THE AUTHORIZATION OF A SECTION 32 PROGRAM

General factors for consideration

In 1954 the USDA adopted the following standards as a general guide for determining eligibility of fruit and vegetable producers for assistance under section 32. These standards are also used by the other commodity groups in AMS in determining if a section 32 program should be instituted on a particular commodity. Although the standards were not set forth in bulletin form until 1954, officials of the USDA advised that the same standards were actually in use for many years prior to 1954:

(*a*) There should be a bona fide request from a responsible group of producers of the commodity concerned.

(*b*) The expected season average price of the commodity should not exceed 75 percent of parity for programs involving purchase or diversion of low-order uses. Programs designed to develop new or enlarged markets may be undertaken when season average prices are less than 90 percent of parity.

(*c*) It should be demonstrated that marketable supplies of the commodity are in excess of the available markets.

(*d*) In those cases where applicable, it should be demonstrated that export markets have been lost or reduced, having due regard for export history and experience.

(*e*) The commodity should be of significant importance to the economy of the producing area and to the income of the producers.

(*f*) From the standpoint of perishability as well as distributability the commodity must be subject to the adaptation of a workable program.

(*g*) Compensation for loss of crops or reduction in quality due to storm, drought, flood, deterioration, or other cause, is not considered as appropriate justification for assistance.

(*h*) Producers must demonstrate concrete effort toward keeping supplies in line with demand. For annually planted crops substantial compliance with acreage guides will be required. For perennial crops, consideration will be given to efforts made to withhold from the market the less desirable grades and sizes of product; efforts toward expanding market capacity, as well as the reduction in bearing acreage.

(*i*) A substantial proportion of the crop should remain to be marketed; programs aimed at tag-end or cleanup supplies will not be undertaken.

(j) It should be demonstrated that the proposed program will result in maximum benefits to producers.

The USDA also considers the following factors in determining the nature and extent of assistance to be granted, assuming that the qualifications listed above are met:

(*a*) The quantity of the commodity or product for which assistance is granted should not under any circumstances exceed the capacity of the outlets available.

(*b*) Consideration should be given to the type of program which will dispose of the commodity under consideration for the least expenditure of funds.

(*c*) The commodity or product for which assistance is granted must be of acceptable standard grade and quality. No assistance will be given for substandard products.

(*d*) No type of assistance will be undertaken which would involve or necessitate the fixing of a minimum price for the entire supply of the commodity.

(*e*) Total expenditures should not exceed 10 percent of the average farm value of the commodity involved. In those instances where the only practicable assistance involves the purchase of processed products, this limit may be exceeded, but in no event to more than 20 percent of the average farm value.

(*f*) Diversion and export payment rates should be gradually reduced if such assistance has been extended on a relatively continuous basis.

(*g*) Purchases should be made on an offer and acceptance basis wherever practicable. In those instances where prices are announced, commercial market prices should be used as a guide, with due regard for current and seasonal market price behavior.

(*h*) If purchases of any commodity are undertaken there should be a reasonable relationship between nutritive value or other measure of the usefulness of the product and cost.

(*i*) No assistance will be undertaken which involves direct (benefit) payments to producers, processors, dealers or handlers.

2. Other pertinent factors for consideration

Section 32 programs as a rule do not seek to support prices at a specific level. Prior to initiating a section 32 program, the Secretary of Agriculture considers the following eight points:

(*a*) The supply of the commodity in relation to the demand therefor.

(*b*) The levels at which price assistance is being given to other commodities.

(*c*) The availability of funds.

(*d*) The perishability of the commodity.

(*e*) The importance of the commodity to agriculture and the national economy.

(*f*) The ability to dispose of stocks acquired.

(*g*) The need for offsetting temporary losses of export markets.

(*h*) The ability and willingness of producers to keep supplies in line with demand.

E. ELIGIBLE OUTLETS FOR DONATIONS

The Secretary of Agriculture determines the general types or groups of persons eligible to receive donated foods. State distributing agencies, acting under agreements with the USDA, determine the specific organizations meeting the requirements specified by the USDA to obtain donated food. The Federal Government, out of section 32 funds, pays the cost of shipping the commodities in carload lots to central receiving points within the States. The States are responsible for arranging for delivery of the commodities to recipients. Section 32 purchases are limited to the quantities that can be moved to eligible oulets, and this quantitative determination is made before a program is initiated.

The section 32 legislation established four general limitations on the groups of persons who may receive section 32 commodities. The following are the four groups with eligible recipients as classified by the Secretary of Agriculture:

1. Nonprofit schools: Public or nonprofit private schools of high-school grade or under which operate nonprofit school-lunch programs.

2. Relief purposes: Nonprofit, nonpenal, public, or private institutions devoted to a charitable or public-welfare purpose, to the extent that needy persons are served. This group includes hospitals, homes for the aged, orphanages, missions, summer

camps, child care centers, and State and local correctional institutions.

3. Low-income persons: Public or private welfare agencies that assist needy persons.

4. Distribution outside normal channels of trade: Nonprofit organizations providing emergency or disaster relief.

The following schedule reflects the amounts distributed to eligible outlets from fiscal year 1948 through fiscal year 1957.

Removal of surplus agricultural commodities by distribution to eligible outlets, [1] *sec. 32, fiscal years 1948 through 1957*

[Millions of dollars]

	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Schools	19.3	21.5	36.2	15.2	13.0	51.7	94.2	26.9	65.3	112.5
Institutions [2]	13.7	14.0	14.1	4.1	4.6	16.9	60.8	11.4	23.3	15.5
Welfare [2]								16.7	55.5	36.5
Nonprofit organizations providing emergency disaster relief [2]									(3)	3.7
Total	33.0	35.5	50.3	19.3	17.6	68.6	155.0	55.0	144.1	168.2

[1] The distributions are shown in the year in which the commodities were distributed, not necessarily the year in which they were purchased.

[2] Prior to 1955, institutions, welfare, and emergency disaster-relief totals were combined. States did not report breakdown by institutions, welfare, and nonprofit organizations providing emergency disaster relief.

[3] Less than $100,000.

F. RELATIONSHIP BETWEEN SECTION 32 PROGRAM AND OTHER PRICE-SUPPORT AND ASSISTANCE PROGRAMS

The USDA has other price-support and assistance programs which have a close relationship to section 32 programs. The relationship between section 32 programs and other price-support and assistance programs is set out below:

1. Commodity Credit Corporation price-support program

The CCC price-support programs are price-assistance programs under which the Government supports the price of an entire crop or product at an announced price level. Under these programs, the Government supports prices by removing surpluses from the market and storing them for return to the market when conditions are favorable. Under section 32 programs, which are price-assistance programs, the Government removes limited quantities of surpluses by immediately developing wider markets. In effect, these programs are supplementary price-assistance programs, operating principally on perishable commodities and where surpluses are small and localized. The section 32 program does not support the price of the entire crop. It removes related portions of the surpluses by providing an outlet for that portion for which additional markets can be obtained by means of donation, export, and diversion to new uses.

Use of both section 32 and CCC funds is made whenever a section 32 purchase is developed at the same time the CCC has in operation, or plans to operate, a price-support program or has price-support stock. All procurement is handled by CCC. Section 32 funds are used to reimburse CCC for any quantities for section 32 outlets. Each fund bears its appropriate administrative expense.

The Agricultural Act of 1949 authorized the Secretary to use the services and facilities of CCC in carrying out section 32 programs and to use section 32 funds in carrying out his price-support responsibilities. Some of the more important factors in determining whether to use CCC or section 32 funds are as follows:

(*a*) Whether or not the commodity is perishable.

(*b*) Type of price assistance that is feasible for the commodity (loan, purchase, export, diversion).

(*c*) Estimate of the total funds necessary to carry out the price-assistance program.

(*d*) Extent to which immediate outlets are available at the time the program is undertaken.

Total funds available since 1953 for section 32 programs have been in excess of $400 million a year. The USDA in its policy statement has indicated a desire to maintain a carryover balance of an amount as close to $300 million (authorized by statute) as possible. USDA officials have stated that funds available after an estimte of the section 32 programs are decided upon, up to the $300 million limit, will be used to purchase CCC commodities for donations rather than return unused balances over the carryover limit to the Department of the Treasury. This, according to USDA officials, is a policy decision of the Secretary of Agriculture and the CCC Board, the purpose of which is to assist the CCC budget and eliminate the need for request for additional appropriations for CCC operations.

2. National School Lunch Act

The National School Lunch Act of 1946 (Public Law 396, 79th Cong.) was passed by Congress to provide a measure of national security to safeguard the health and well-being of the Nation's children and to encourage the domestic consumption of nutritious agricultural commodities and other foods by assisting the States through grants-in-aid and other means, in providing an adequate supply of foods and other facilities for the establishment, maintenance, operation, and expansion of nonprofit school-lunch programs.

Between 1948 and 1957 commodities acquired with section 32 funds ranging from $13 million to $112.5 million annually were donated to schools. In 1948 and 1949 the school-lunch program, authorized by the National School Lunch Act, was financed entirely with section 32 funds. Subsequently, Congress made a direct appropriation for financing the school-lunch program. Since 1950 section 32 purchases have provided supplementary assistance to the school-lunch program.

3. Domestic donations, section 416

Section 416 of the Agricultural Act of 1949, which was amended by section 302 of title III, Public Law 480, 83d Congress, provides authority for donation of CCC surplus food commodities to domestic outlets. Section 32 also provides for domestic donation of surplus commodities under the purchase and donation clause. Actually, donations can be made to the same outlets from either source.

The USDA has determined that it will seek to (1) spend regular and supplemented section 32 funds primarily for non-price-supported perishable agricultural commodities and (2) limit the use of section 32 funds for other commodities for which price support is authorized through other programs. Such use would be generally limited to

short-term programs or fulfillment of emergency needs which could not be readily met under section 416 from surpluses and CCC inventory, or through other CCC authority. This, however, does not preclude the use of section 32 funds in excess of maximum authorized carryover balances for the assistance of price-supported commodities.

The USDA policy as to whether it determines to use section 32 funds to purchase surplus commodities or make distribution to the same outlets from CCC stocks under section 416 is explained by the USDA as follows:

> There are essentially three progressive steps in the allocation and use of section 32 funds in any particular year. First priority, of course, goes to the use of these funds for the perishable commodities; secondly, section 32 funds will be used for the purchase of CCC commodities to the extent that such expenditures will not preclude a $300 million carryover of section 32 funds into the coming fiscal year; and, thirdly, in the event CCC commodities can be distributed domestically to eligible outlets over and beyond the quantities purchased from CCC with section 32 funds, such commodities will be made available under section 416.

G. FINANCIAL DATA RELATING TO THE SECTION 32 PROGRAM

During the 10-year period ending with fiscal year 1957, the amounts represented by 30 percent of customs receipts have ranged between $149 million and $220 million. Prior to 1950, unused balances of section 32 funds could not be carried forward to subsequent years. From 1950 through 1953, unused balances were permitted to build up until the maximum carryover of $300 million was reached. Since fiscal year 1954 when the maximum carryover balance of $300 million was reached, the USDA had available at the beginning of each fiscal year around $450 million to $518 million for section 32 operations (represented by annual current receipts plus carryover balance at end of each year).

Three schedules relating to the operations of the section 32 program follow.

The first schedule reflects by year, commencing with fiscal year 1948 and ending with fiscal year 1958, the total funds available for the section 32 program, source of the funds, funds allocated for projects (programs), funds transferred to other programs and/or agencies, and year-end balances with disposition of the balances.

The second schedule covers the period commencing with fiscal year 1948 and ends with fiscal year 1957. This schedule furnishes an annual distribution with respect to types of section 32 programs aided; that is, (1) purchase and donation, (2) diversion to new uses, and (3) export programs. The schedule also shows funds used for administrative expenses, funds transferred to cooperating agencies, funds transferred to other uses, and remaining balances.

Schedule 3 covers the same 10-year period as schedule 2, but shows in detail the funds obligated by commodity (commodities benefited) with respect to amounts used for each type of program; that is, (1) purchase and donation, (2) export, and (3) diversion.

Financial data, sec. 32 program—Source of funds, obligations, and dispositions of balances, fiscal years 1948–58

Fiscal year	(30 percent) permanent appropriation	Supplemental reappropriations carry-in-balance	Reimbursements to appropriations	Total available	Project obligations	Allotments and transfers	Unobligated balance	Disposition of balance
1948	$149,023,930		[1] $724,468	$149,748,398	$75,140,622	[2] $65,300,865	$9,306,911	Returned to Treasury.
1949	132,947,728			132,947,728	55,627,983	[3] 75,171,859	2,147,886	Do.
1950	125,606,982			125,606,982	77,392,052	243,792	47,971,138	Available in 1951.
1951	111,192,249	$47,971,138		159,163,387	41,398,936	223,571	117,540,880	Available in 1952.
1952	158,886,746	117,540,880		276,427,626	54,202,290	254,180	221,971,156	Available in 1953.
1953	181,040,312	221,971,156		403,011,468	71,523,786	182,597	331,305,085	$27,440,518 returned to Treasury.[4]
1954	[5] 172,417,343	303,864,567	[6] 48,100	476,330,010	[7] 202,079,544	1,852,922	272,397,544	Available in 1955.
1955	180,091,952	272,397,544		452,489,496	[8] 32,309,046	4,453,027	415,727,423	$114,352,059 returned to Treasury.[9]
1956	166,807,174	301,375,364		468,182,538	[9] 218,470,176	4,401,752	245,310,610	Available in 1957.
1957	199,976,003	245,310,610		445,286,613	[9] 142,963,646	4,374,115	297,948,852	Available in 1958.
1958	220,878,158	297,948,852		518,827,010	([10])	([10])	([10])	([10]).
Total	1,798,868,577	1,808,380,111	772,568	3,608,021,256	971,108,081	156,458,680		

[1] Irish potato program authorized the sale of potatoes purchased for use as livestock feed or industrial raw material. GAO Decision B-69813 states that proceeds from sales of surplus commodities may be treated as reimbursement to appropriations from which purchases were made.

[2] Includes $65,000,000 for national school-lunch program.

[3] Includes $75,000,000 for national school-lunch program.

[4] Balance at June 30, 1953, was $327,440,518. Revision represents recovery of 1953 and prior year obligations.

[5] Excludes balances returned to the Department of the Treasury.

[6] Reimbursements were recorded as increases in funds available and obligations were established against them. Since 1954 reimbursements and resulting obligations have been deducted from the account for budget purposes and are reported under "Advances and reimbursement."

[7] Includes $1,653,857 for penalty mail cost.

[8] Includes transfers to Interior (15 U. S. C. 713c-3 as amended by Public Law 1024, 84th Cong.).

[9] Balance at June 30, 1955, was $414,352,059. Revision represents recovery of 1954 and 1955 obligations.

[10] Not available.

Funds allocated for removal of surplus agricultural commodities under sec. 32 programs—obligations by projects, allotments, and transfers, unobligated balance, and total funds available, fiscal years 1948–57

Item	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
DOMESTIC PROGRAM										
Purchases for direct distribution	$45,426,239	$25,771,680	$41,612,715	$13,390,390	$33,048,422	$55,673,262	$185,659,362	$23,390,430	$206,187,320	$122,797,380
Diversion	8,014,979	475,486	7,311,783	2,003	985,995	1,046,273	937,975	386,980	3,406,989	6,196,409
Total, domestic programs	53,441,218	26,247,166	48,924,498	13,392,393	34,034,417	56,719,535	186,597,337	23,777,410	209,594,309	128,993,789
Export programs	19,900,425	26,978,444	24,573,570	24,253,420	17,106,632	11,751,304	11,918,885	4,614,689	4,109,294	8,570,290
Total for program use	73,341,643	53,225,610	73,498,068	37,645,813	51,141,049	68,470,839	198,516,222	28,392,099	213,703,603	137,564,079
Administrative expenses [1]	1,798,979	2,402,373	3,893,984	3,753,123	3,061,241	3,052,947	3,563,322	3,916,947	4,766,573	5,399,567
Total, above projects	75,140,622	55,627,983	77,392,052	41,398,936	54,202,290	71,523,786	202,079,544	32,309,046	218,470,176	142,963,646
Allotments and transfers to cooperating agencies	142,855		75,264	58,747	81,000	10,000	26,611		42,049	15,000
Transferred to other uses by legislative action	[2] 65,158,010	[2] 75,171,859	168,528	164,824	173,180	172,597	[3] 1,826,311	[4] 4,453,027	[4] 4,359,703	[4] 4,359,115
Total obligations	140,441,487	130,799,842	77,635,844	41,622,507	54,456,470	71,706,383	203,932,466	36,762,073	222,871,928	147,337,761
Unobligated balance carried forward			47,971,138	117,540,880	221,971,156	303,864,567	272,397,544	301,375,364	245,310,610	297,948,852
Unobligated balance no longer available	9,306,911	2,147,886				27,440,518		114,352,059		
Total unobligated balance	9,306,911	2,147,886	47,971,138	117,540,880	221,971,156	331,305,085	272,397,544	[5] 415,727,423	245,310,610	297,948,852
Total funds available	149,748,398	132,947,728	125,606,982	159,163,387	276,427,626	403,011,468	476,330,010	452,489,496	468,182,538	445,286,613

[1] Beginning in 1948, includes printing and binding obligations.
[2] Transferred to national school lunch program, 1948, $65,000,000; 1949, $75,000,000.
[3] Includes $1,653,857 for penalty mail costs.
[4] Includes transfers to Interior (15 U. S. C. 713c–3 as amended by P. L. 1024—84th Cong.)
[5] Balance at June 30, 1953, was $327,440,518 of which $27,440,518 was returned to the Department of the Treasury in 1954.
[6] Balance at June 30, 1955, was $414,352,059 of which $114,352,059 was returned to the Department of the Treasury.

Removal of surplus agricultural commodities (sec. 32)—Obligations by commodity groups and programs, fiscal years 1948–57

	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Cotton:										
Direct distribution						$935, 760	$10, 575, 443	$13, 255, 221	$8, 082, 887	
Export	$2, 022, 263	$1, 884	$257	$289						
Diversion	460, 319	233, 487	19, 900							
Total	2, 482, 582	235, 371	20, 157	289		935, 760	10, 575, 443	13, 255, 221	8, 082, 887	
Dairy: Direct distribution		1, 823, 100	15, 542, 176		$4, 174, 675	21, 775, 766	87, 119, 047	423, 581	78, 117, 375	$55, 433, 571
Total		1, 823, 100	15, 542, 176		4, 174, 675	21, 775, 766	87, 119, 047	423, 581	78, 117, 375	55, 433, 571
Eggs and poultry:										
Direct distribution	13, 120, 487	8, 820, 554	10, 227, 857	2, 545, 113	3, 697, 872	26, 662, 342				26, 093, 639
Export	6, 592, 707	5, 036, 707	3, 033, 833	2, 562, 319						200, 648
Total	19, 713, 194	13, 857, 261	13, 261, 690	5, 107, 432	3, 697, 872	26, 662, 342				26, 294, 287
Fruits:										
Direct distribution	16, 776, 938	2, 315, 448	10, 415, 422	9, 595, 490	7, 665, 335	3, 759, 920	1, 528, 460	507, 541	484, 013	258, 420
Export	2, 738, 955	7, 581, 144	14, 016, 237	13, 210, 644	16, 460, 902	10, 240, 926	7, 859, 419	4, 068, 232	3, 606, 787	541, 271
Diversion	27, 738	241, 999	3, 336, 607					27, 510	224, 615	824, 658
Total	19, 543, 631	10, 138, 591	27, 768, 266	22, 806, 134	24, 126, 237	14, 000, 846	9, 387, 879	4, 603, 283	4, 315, 415	1, 624, 349
Grain:										
Direct distribution									11, 962, 829	5, 314, 851
Export		4, 191, 686	2, 828, 559	7, 101, 747			3, 382, 237		502, 507	7, 828, 371
Diversion			26, 380							
Total		4, 191, 686	2, 854, 948	7, 101, 747			3, 382, 237		12, 465, 336	13, 143, 222
Livestock products: Direct distribution					12, 176, 776	1, 382, 188	83, 930, 020	380, 848	101, 248, 723	33, 370, 316
Total					12, 176, 776	1, 382, 188	83, 930, 020	380, 848	101, 248, 723	33, 370, 316
Peanuts and products: Export		10, 167, 023	4, 559, 192	876, 074						
Total		10, 167, 023	4, 559, 192	876, 074						
Tobacco: Export	8, 546, 500									
Total	8, 546, 500									

Removal of surplus agricultural commodities (sec. 32)—Obligations by commodity groups and yrograms, fiscal years 1948–57—continued

	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Tree nuts:										
Direct distribution	$1,133,820				$2,404,494		$401,741			
Diversion			$3,928,890		985,995	$1,038,393		$118,467		
Total	1,133,820		3,928,890		3,390,489	1,038,393	401,741	118,467		
Vegetables:										
Direct distribution	13,572,836	11,096,628	5,254,214	207,263	10,720		2,078,868	8,819,110	6,291,493	2,326,583
Export										
Diversion	7,526,922						936,402	240,103	3,182,374	5,371,751
Total	21,099,758	11,096,628	5,254,214	207,263	10,720		3,015,270	9,059,213	9,473,867	7,698,334
Other:										
Direct distribution	822,158	1,715,950	173,046	1,042,524	2,918,550	1,157,286	25,783	4,129		
Export			135,492	502,347	645,730	1,510,378	677,229	546,457		
Diversion				2,003		7,880	1,573	900		
Total	822,158	1,715,950	308,538	1,546,874	3,564,280	2,675,544	704,585	551,486		
Total	73,341,643	53,225,610	73,498,068	37,645,813	51,141,049	68,470,839	198,516,222	28,392,099	213,703,603	137,564,079

II. REQUESTS FOR SECTION 32 PROGRAMS WHICH WERE DENIED

The USDA was requested to make available to this staff all requests that have been made to it by Members of Congress, farm organizations, and other sources for the implementation of section 32 programs which have been denied during the past 10 years. The USDA was also asked to supply the reason on which the denial was based.

Officials of the USDA advised that many contacts have been made on an informal basis by persons interested in a section 32 program and when the Department policy is explained, the request is usually not pursued in a formal manner and nothing more is heard from these people. This also applies to inquiries made by Members of Congress. USDA officials stated that in such cases no formal request is considered as having been made and therefore no written record is made of the contact. It was pointed out by officials of USDA that there are very few instances where the files of the Department will show formal requests for programs that have been denied. Most of the negotiations have been oral and it has not been the Department's policy to record the oral negotiations which did not materialize in a program.

The officials of USDA advised that they would contact the personnel of each commodity division and determine from the files, and from their recollection, the various requests that have been made for section 32 programs which resulted in denials and the reasons for denial. Since the memorandums prepared by the commodity divisions on this subject matter are quite extensive, a summary was made of the material submitted by the Department and is being discussed under the commodity headings below.

1. Cotton

Two requests were made for a section 32 program on cotton for paper and for cotton mill waste in 1956. In January 1956 representatives of 2 paper companies and 2 writing paper associations claimed a shortage of suitable textile material for manufcturing high-grade paper. It was estimated that 100,000 bales of cotton could be used at 10 cents a pound and 50,000 bales if it could be purchased at 12 cents a pound. This request was denied because of the high subsidy required to be paid to the paper industry.

The second request made in February 1956 by the Textile Waste Exchange, for an export subsidy of 8 cents a pound for comber waste cotton and 6 cents for card strips, was denied by the USDA because the proposal was subsequently effected with CCC funds, rather than section 32 funds. The proposers of the program claimed that 30 percent of their spinnable waste usually went into export markets and the cotton export program had "practically removed foreign demand for American mill waste."

2. Dairy products

The Dairy Division, USDA, advised that the only major request for section 32 assistance during the past 10 years has been from the Swiss cheese industry. The need for assistance was expressed in 1956 and 1957 in order to assist the industry in production technology and merchandising. The USDA, on the basis of information furnished

by the industry, denied the request because of (1) the temporary nature of the problem, (2) production of Swiss cheese was up as compared with production of American cheese during the same period, and (3) the United States average price received for milk for Swiss cheese in 1956 was higher than the price for milk used for American cheese during the same period.

3. Dry edible beans and peas

Assistance in disposing of surpluses of dry edible beans was requested in 1956 from several Congressmen and a Representative of the Michigan and New York Bean Shippers Associations, because of the large current crop. The request was denied because of the Department's policy not to use section 32 funds for commodities under the price-support program. Dry edible beans were under price support at that time.

In response to further inquiry by this staff regarding the Department's policy on price-support commodities where a section 32 program is requested, the following comments were made by AMS officials:

> The situation which you mentioned regarding the use of section 32 funds for a bean surplus removal program occurred at a time when all stocks of CCC beans had been disposed of and it appeared heavy takeovers would occur in subsequent months under the price-support program. Representatives of the bean industry requested that section 32 funds be used to acquire beans in the open market for domestic distribution substantially in advance of the takeover date under the CCC loan program. In keeping with the long-established policy of not using section 32 funds for commodities already protected through a price-support program, the request was denied. * * * CCC could have advanced the takeover date on its loans as an alternative action. We recall no instances when this has been done on CCC loan programs.

In 1957, section 32 assistance was requested from several Senators and a Congressman to reduce large surpluses of dry edible peas in the Pacific Northwest which were depressing producer prices. This request was denied because pea producers had received favorable prices in recent years, acreage had expanded steadily since 1952, and granting the assistance requested would have encouraged continued expansion of acreage.

4. Fruits and vegetables

The USDA furnished information concerning 84 requests for section 32 programs on fruits and vegetables which were denied.

An analysis of the information reflects that there were many reasons given by the USDA for denying section 32 assistance. Because of the large number of requests reported only a representative number are being illustrated.

In 1950, an association in the State of Washington, together with a Senator and Congressman, requested an export subsidy on dried apples. Because of the large 1949 commercial apple crop, the representatives of the national apple industry recommended keeping low-grade apples off the market. Section 32 programs put into effect were restricted to high-grade fresh fruit. In view of the fact that dried applies have been produced from low-grade fruit and culls, no program action was taken.

In 1951, the California Apple Growers Council requested an export-subsidy program on dried apples in order to encourage the exportation

of dried apples by continuing the program then in effect. The Department denied the request because the proposed extension would have encouraged the drying of the 1951 crop of late variety apples, whereas the intent of the program was to encourage the disposition of surplus fresh and dried apples then in existence.

In 1952, a request was made by the National Apple Institute, and Northwest Horticultural Council, through several Senators and a Congressman, to continue export payment programs each year even if no surplus existed in order to build up the export market. The Department denied the request because legislation did not provide an appropriate basis for proceeding on a continuous basis regardless of whether or not a surplus condition existed. A surplus was not expected for the 1952 crop.

In 1953, the Northwest Dried Fruit Association, the California Apple Growers Council, and the Early Apple Advisory Board requested subsidy payments on exports of dried apples because of marketing difficulties resulting from the heavy pack of dried apples in Oregon and in Washington. The request was denied by the USDA since it is seldom feasible to set up an export payment program for only one producing section in the country. The justification for such a program must rest on overall supply and demand conditions. Since the total apple production in 1952 was below average and market conditions were relatively favorable, the proposed program was not justifiable.

In 1957, the New Jersey Vegetable Growers Cooperative Association, Inc., requested a purchase program of canned and frozen asparagus for the school-lunch program because of excessive supplies of canned and frozen asparagus on hand and a need to reduce supplies to improve growers' prospects for the 1958 season. The USDA denied the request because mid-July 1957 prices to growers were about 90 percent of parity. This was a price level that did not justify the inauguration of a section 32 surplus-removal program.

In 1953, a Senator and a Congressman requested a purchase program for surplus supplies of cabbage because of a local surplus in Louisiana and low prices. The program was denied because cabbage acreage in Louisiana was approximately 16 percent more than the Department's acreage guide recommendation. Therefore, the area was ineligible for section 32 assistance.

In 1952, a request was made by a Senator for a section 32 purchase program on cherries for brining. The request was made because of the low grower prices for cherries used in brining. The request was denied due to the fact the USDA had no way to dispose of brined cherries and was not in a position to engage in price-support operations for such cherries.

In 1956, a request was made by the California Date Administrative Committee for an export-subsidy payment on dates exported from the United States. The request was based on a stated need for export markets for domestic dates. The USDA declined to enter into a program because the United States is on an import basis with respect to dates. With the demand for dates in this country being far greater than domestic production, there was no basis for an export-payment program. Further, export payment programs have been used to re-

gain or maintain traditional export markets. The date industry has no export history.

In 1953, a request was made by the Oregon Filbert Commission for a subsidy payment of 3 cents a pound to filbert producers for their production under the authority of clause 3, section 32. The request was based on a stated average return to filbert producers which represented only about 54 percent of December 1952 parity. The low average return was stated to be due to the record domestic production in 1952 and a heavy volume of imports. The request was denied because the seasonal average price to filbert producers was estimated to be 5 percent above the average of the 5 preceding seasons. In view of the better than average grower income and the absence of excess filbert supplies, according to the USDA, there was no basis for the assistance requested.

In September 1956, several associations in Michigan, together with a Senator, a Congressman, and the Governor of Michigan, requested the USDA to purchase fresh Concord grapes because of a very large crop in Michigan and the possibility of 10,000 to 15,000 tons not finding a market without help because of insufficient processing capacity. The request was made in order to provide a stabilizing effect on the market and to prevent the loss of grapes. The type of program requested was a purchase program of fresh grapes to be frozen and stored for later use in making jams or jellies. It was desired to have the USDA stem, crush, barrel, freeze, and store the grapes. The request was denied by the USDA because the product was not suitable for use without further processing and such processing is not generally handled commercially.

In February 1955, the Florida Honey Cooperative, Inc., requested an export and diversion payment on honey because of the need for continuing export and diversion outlets and the imminence of the 1955 honey crop. The request was denied for the reason that the existence of a surplus is necessary to justify such programs and the information then available indicated that honey supplies were unlikely to be excessive during the 1955–56 season. Also assistance was available to beekeepers and honey packers during the 1954 honey price-support program.

In September 1957, a request was made for a purchase program by a Senator and two governors for the purchase of grape juice from Michigan and New York because it was feared by the industry that inventories would endanger full utilization of the 1957 crop of Concord grapes and adversely affect the level of returns to the growers. The request was denied for the reason that the principal outlet for commodities purchased under section 32 was the school-lunch program and substantial supplies of liquids such as milk were being received by the schools. It is often difficult to find room in the school-feeding program for additional liquids.

In 1954, a request was made by 5 associations, 15 Senators and Congressmen, and 14 individuals for use of section 32 funds for purchases and to facilitate shipment of onions to foreign countries due to the current low price situation caused by surplus supplies. The request was denied because the volume that might have been distributed to school lunches and charitable institutions would be very slight in relation to the heavy surplus. Purchases for these limited

outlets would have afforded little if any price improvement. Assistance to be effective would have to be on a larger scale than section 32 purchases would afford. Onions were designated as "surplus" pursuant to section 550 of the Mutual Security Act, as amended, providing greater opportunity for the industry to negotiate with the friendly countries for export sales. Promotion of onion consumption was intensified through the plentiful foods program.

In 1957, several requests were received from the California and Florida citrus industry for export payment programs on fresh and processed oranges and grapefruit in order to alleviate the marketing situation and to compete in European markets in other citrus exporting countries. These requests were declined because the market outlook for the balance of the season was reasonably favorable and a program would endanger the liberalization of trade recently established in some of the important consuming countries. Further, the original objective of the export program, that is, establishment of the prewar market had already been achieved. Also, the possibility existed of retaliatory measures on the part of other citrus-exporting countries.

In 1952, a section 32 purchase program of fresh Hardy pears was requested by the Pear Growers League because of an unfavorable situation for both Hardy and Bartlett pears. Since a purchase program was in effect for Bartlett pears a request was also made to purchase Hardys. This request was declined since Hardy pears do not compete successfully with Bartlett pears in domestic fresh commercial channels and do not lend themselves to successful canning as pear halves.

In 1952 a purchase program was requested for frost-damaged Washington State Bartlett pears by two Washington State associations because the spring frost had affected the crop in some locations, causing marketing difficulties. The program was denied because USDA purchases are confined to those fruits and localities where available supplies meet good commercial standards of quality and conditions.

In 1954 a purchase program for surplus potatoes and donation to freeze-damaged Germany was requested by a New York potato council, a Senator and a Congressman, and the Republican National Committee to reduce the potato surplus. The program was denied, since the use of section 32 funds for the purchase and donation of commodities to foreign countries is not authorized by the statute.

In 1957 a request for a purchase program was made for fresh Italian prunes by the Idaho Industry Prune Committee and by an Idaho association because the prune market conditions were weak and growers were receiving no guarantee above harvest costs. No program was entered into for the reason that prices were moderate at the time the request was made and prices improved immediately after receipt of the request; therefore, purchases were not justified.

A request was made in October 1957 for marketing assistance on Oregon dried black raspberries by an individual through a Senator. The program was denied because the commodity was primarily used in the manufacture of extracts for the soda-fountain trade and a dye used for marking meat products; consequently, the commodity did not lend itself for use in school-lunch programs and institutions.

In 1957 a subsidy-payment program to growers for strawberries purchased by processors at a specified minimum price was requested by

the California Strawberry Advisory Board and several Congressmen and Senators because of the large stocks of frozen strawberries in storage, the expected large 1957 crop, and anticipated low prices for this crop. This request was denied because the USDA was not in a position to purchase and distribute frozen strawberries, since they are quite perishable, require constant low temperatures during storage and handling, and because of the adverse criticism that would result from the purchase of an item considered to be a semiluxury by many consumers.

In September 1957, a request for a diversion program through use of section 32 funds for sweetpotatoes from the regular commercial market was requested by a cooperative in Virginia, with support of a Congressman. The request was denied because the market forecast indicated no serious surplus crop was anticipated if good quality sweetpotatoes were offered in an orderly manner.

In 1949, the California Almond Growers Exchange, later joined by several Congressmen, requested a purchase program for almonds for distribution under the school-lunch program because of marketing problems resulting from the largest crop of almonds on record up to that time. The USDA did not engage in this program because the school-lunch program was an inadequate outlet for the quantity of almonds the industry wished to have removed from the market and no other outlet was available.

5. Livestock

The Livestock Division of the USDA advised that there have been relatively few requests during the past few years for section 32 purchase programs. The American National Cattlemen's Association is generally recognized as the spokesman for cattle producers. There is no national organization which is generally recognized to speak for hog producers. The American Farm Bureau, National Farmers Union and National Grange have from time to time made recommendations. The Department has followed the policy during the past few years of asking representatives from these, and other organizations from all segments of the livestock and meat industry, for their recommendations as to appropriate means for providing Government assistance.

(*a*) *Beef.*—Feeders of fed cattle who had paid exceptionally high prices of fed cattle reached a seasonal low. No beef-purchase program was undertaken because cattle prices averaged 143 percent of parity during February.

In 1955, the American National Cattlemen's Association requested a beef-purchase program which would make beef available to the national school lunch program on an annual basis. The USDA did not feel it to be in the best interests of the cattle industry or appropriate to reinstitute section 32 purchases. Prices were stabilized and slightly better than during the previous year. The USDA, in cooperation with the industry, intensified beef promotional efforts and made emergency drought assistance available.

In late 1955 and early 1956, an oversupply of heavyweight fed cattle developed due to failure of fed cattle prices to advance seasonally as they usually do. Requests were received from some individuals and committees for various programs, including section 32, to aid the situation. It was not considered advisable or feasible to undertake a sec-

tion 32 program at that time because high quality fed beef is not the kind considered practical for a section 32 program, since the possibility of expanding outlets among school lunch and relief distribution appears rather limited for such beef.

(*b*) *Pork.*—The USDA has received no specific request for section 32 or surplus removal programs for pork in years when such programs were not undertaken.

(*c*) *Lamb.*—The USDA has never undertaken a section 32 program for lamb. Lamb prices, while fluctuating during periods of heavy marketing, have generally been favorable relative to the prices received for other livestock.

6. Poultry and poultry products

The Poultry Division, AMS, USDA, advised that:

> Requests for price assistance in the poultry industry originate almost entirely from individual producers or small groups of producers, inasmuch as there is only one national producer organization in the poultry industry, i. e., the National Turkey Federation. Although such requests frequently become quite numerous during periods of depressed prices, scattered letters requesting assistance are received throughout the year.
>
> During the years prior to 1950, chickens (other than commercial broilers), turkeys, and eggs were Steagall commodities, with support mandatory at 90 percent of parity. Except for the purchase of eggs in 1950 under a 75 percent of parity support level, all purchase operations since the end of the Steagall period have been under section 32-type programs.

Because of the many requests received by the Poultry Division from individuals requesting assistance in increasing prices of poultry, many of which were oral, the Poultry Division was unable to furnish the staff with a list of these requests for section 32 assistance which were denied. A representative number of letters and replies thereto regarding USDA assistance in marketing of eggs and poultry were made available by the Poultry Division. By and large these requests were in the nature of a desire for the USDA to purchase poultry and eggs in order to increase prices. When the Department's policy regarding purchases of surplus commodities was explained to the inquirers no formal request was made.

The Poultry Division advised that during the fiscal year 1952 production increased 20 percent over 1951 to reach a new record. Preparations were made to assist the industry in marketing the "surplus" and a "standby" program was announced. The announcement of the program was sufficient to stabilize prices at a reasonable profit level to producers. The large increase in production during 1952, according to the Poultry Division, was unwarranted in relation to the expected increase in consumer demand and as a result there was a sharp drop in prices. The continued year after year sharp increase in turkey production prompted the Secretary to appoint a Turkey Industry Advisory Committee to consult with him as to a solution to the problem. This committee, after consultation, recommended that no surplus removal program should be considered for the 1953 crop.

In 1955, as a result of a record level turkey production which caused prices to drop, the Secretary's Industry Advisory Committee in the summer of 1954 recommended that a purchase program for turkeys was not necessary at that time.

During the fiscal year 1958, turkey production was again at record levels. Warnings to the industry by the Secretary tempered the increase. The National Turkey Federation requested assistance in

marketing this record crop. Their action did not receive unanimous concurrence in the industry as there was considerable feeling that the year after year continuation of purchase operations could only result in a delay in solving the industry's surplus problem. As a result, no section 32 program was undertaken.

In the fall of 1954, a decline in egg prices resulted in the Secretary calling in a Shell Egg Industry Advisory Committee to discuss the problem. It was the committee's opinion that the Department should not conduct an egg price support, egg surplus removal, or an egg subsidy program.

In fiscal year 1957, the substantial price improvement of the year earlier was the direct cause of the larger than needed hatch during the spring of 1956. Production during the fall of 1956 exceeded that of the previous year by 5 percent. These heavier rates of production caused prices to fall below 70 percent of parity and as a result the Department initiated a section 32 purchase program. A total of 1.7 million cases of eggs were purchased at a cost of $16 million. Because of the lower egg prices during the spring of 1957, the replacement hatch was cut. As the result, it is expected that egg prices will be favorable well into 1958.

7. Tobacco

The Tobacco Division, AMS, advised with respect to requests for section 32 programs which were denied that most requests were informal and were made through trade groups to appropriate officials in the USDA by telephone or in person. The requests were checked for policy determination, and the interested parties were advised whether or not a formal program should be submited. The Tobacco Division advised:

> During and following the Korean period, export dealers have continuously explored the possibility of a section 32 program for tobacco. Most of these proposals concerned countries which are threatened by communism and, because of this, considerable financial risk is involved in exporting tobacco into these countries on a credit arrangement. Programs suggested or proposed have been similar to the 1948 Austrian indemnification program in that partial protection over financial or political risk was sought through the use of section 32 funds.

Three formal requests were made which were documented for formal consideration.

In 1950, the USDA denied a request for a diversion program on dark air-cured and fire-cured tobacco to nicotine. This request was denied due to the high proportion of low-quality grades of tobacco which should not be packed and stored inasmuch as adequate stocks of these grades of tobacco were already in storage. This request was denied because of the mandatory price-support program then in existence.

In 1957, a request was made for a section 32 program to subsidize the sale of burley tobacco to foreign countries which normally purchase lower priced tobaccos. This program was denied by the Department because of the mandatory price-support program.

A request was received by the Tobacco Division in July 1957 from an export dealer for a section 32 program to export flue-cured tobacco. This request is still under consideration by the USDA.

III. Activities Under the Public Law 480 Programs

The Agricultural Trade Development and Assistance Act of 1954, Public Law 480, 83d Congress, as amended, provides several programs for disposal of surplus farm commodities and directly involves participation by several departments and agencies in its administration.

The programs for surplus agricultural commodity disposal are title I (sales abroad for foreign currencies), title II (donations abroad to meet famine or other urgent or extraordinary relief requirements), title III, section 302 (donations of food commodities both in the United States and to nonprofit voluntary agencies and to intergovernmental organizations for use in the assistance of needy persons outside the United States), and title III, section 303 (barter for needed foreign produced materials).

Title I, as amended, authorizes the sale of such commodities over a 4-year period (ending June 30, 1958) to the extent that it would require an appropriation not to exceed $4 billion to reimburse the CCC for its losses in the commodities disposed of or for its cost of disposal. Title I sales are made for foreign currencies, some of which are purchased from the Department of the Treasury by United States Government agencies, having a need for them, from appropriated dollars. All dollar payments for these foreign currencies are credited to the CCC. Thus it can be seen that with credit returns to offset losses by CCC the volume of title I sales can exceed $4 billion to the extent of dollar credits. The primary responsibility for sales under title I is with the Secretary of Agriculture.

Title II of the act, as amended, provides that up to $800 million worth of surplus agricultural commodities held by the CCC may be used over the same 4-year period (ending June 30, 1958) to provide assistance to friendly peoples in meeting famine or other urgent relief requirements. This program is strictly a donation program and does not generate foreign currencies for United States use. Responsibility for this program is vested in the Director of the Foreign Operations Administration (now International Cooperation Administration).

Title III programs of domestic and foreign donations and the barter program are not limited in amounts by Congress and the responsibility for carrying out these programs rests with the Secretary of Agriculture.

To assist the various agencies in carrying out their respective responsibilities, not only in the sales of the commodities but uses of foreign currencies generated through the sales and deposited to the credit of the United States, the Interagency Committee on Agricultural Surplus Disposal was established. This Committee, which is chaired by Mr. Clarence Francis, special consultant to the President, has been concerned primarily with the resolution of policy issues that developed in the course of program operations under Public Law 480. Responsibility for coordinating operations has been vested in the Interagency Staff Committee on Agricultural Surplus Disposal, established under the chairmanship of a representative of the Secretary of Agriculture.

A review of the above-mentioned programs follows:

A. TITLE I, PUBLIC LAW 480

Transactions under title I of Public Law 480 are made pursuant to an agreement entered into between a foreign importing country and the United States to purchase surplus agricultural commodities in this country and pay for them with foreign currencies. Agreements are entered into on a government-to-government basis. They are negotiated through diplomatic channels; negotiations are usually carried on overseas by United States Embassy officials designated by the United States Ambassador. When negotiations are conducted in Washington, D. C., they are handled by the Department of State.

In negotiating an agreement, commitments are obtained from the importing country to safeguard the usual marketings of the United States and to assure that sales under agreement will not unduly disrupt world prices. Although the Secretary of Agriculture is responsible for determining the countries with which agreements shall be negotiated and the commodities and quantities which may be included in the negotiations, programs are developed in consultation with several departments and agencies.

1. Types of sales agreements

Agreements are designated by type as—

A—Agreements which call for deposit of collections in dollar-denominated accounts.

B—Agreements which provide for a guaranty of the dollar value of collections, or a portion of, but do not require deposits to be denominated in dollars.

C—Agreements which make no provision for the guaranty of the dollar value of collections.

Both type A and type B agreements are guaranteed in the sense that the dollar value of collections controls the amount of foreign currency which the United States will ultimately receive for program use. Although specific amounts of foreign currency are deposited to pay for commodities, the foreign government agrees to make supplemental deposits in the event there is a depreciation of the guaranteed exchange rate at the time the currencies are withdrawn for use by the United States. In the event of an appreciation of the exchange rate, the United States refunds currencies. The guaranty applies only to currencies in the Treasury accounts where collections are initially deposited. Once currencies are transferred to an agency account, the United States assumes the risk of loss due to currency depreciation. The fact that an agreement carries a guaranty does not necessarily insure that the United States will receive foreign currencies equal in value, at current market rates, to the dollar-sales value of the commodities involved, since in some cases the guaranty rate of exchange is lower than the market rate of exchange.

Each sales agreement between the United States and a foreign government specifies the approximate total dollar amount of commodities to be shipped under the terms of the agreement. Each agreement also may specify the programs (in terms of subsec. (a) through subsec. (j) of sec. 104 of Public Law 480) for which funds may be used by the United States. In order to provide flexibility in the use of funds,

many agreements provide that a specified amount of foreign currency proceeds may be distributed (with exception of subsec. (g) loans), at the discretion of the United States.

2. Sales agreements signed under title I as of December 31, 1957

A total of 107 agreements, or supplements to agreements, involving a CCC cost (including ocean transportation (OT)) of approximately $3,343 million, have been entered into with 35 countries from the inception of the program through December 31, 1957. A list of the agreements and supplements follows:

Agreements signed from beginning of program through Dec. 31, 1957

[In thousands of dollars]

Country	Date signed	Market value excluding ocean transportation	Ocean transportation	Estimated CCC cost including ocean transportation
1. Turkey	Nov. 15, 1954	$17,330	$4,759	$32,205
2. Yugoslavia	Jan. 5, 1955	37,984	6,215	66,013
3. Pakistan	Jan. 18, 1955	28,147	1,253	39,058
4. Chile	Jan. 27, 1955	4,559	396	6,906
5. Peru	Feb. 7, 1955	2,944	305	6,016
6. Spain	Apr. 20, 1955	19,260	1,740	21,651
7. Argentina	Apr. 25, 1955	5,670	128	8,211
8. Turkey (amendment)	Apr. 28, 1955	4,143	333	5,687
9. Israel	Apr. 29, 1955	8,300	1,100	14,372
10. Finland	May 6, 1955	5,088	84	5,172
11. Yugoslavia (amendment)	May 12, 1955	6,523	1,308	13,383
12. Italy	May 23, 1955	48,357	1,658	70,124
13. Japan	May 31, 1955	78,109	6,891	106,220
14. Korea	do	14,015	985	15,000
15. United Kingdom	June 7, 1955	15,000	205	15,205
16. Austria	June 14, 9155	5,491	577	7,740
17. Israel (amendment)	June 15, 1955	3,580	682	7,157
18. Thailand	June 21, 1955	1,900	100	2,000
19. Colombia	June 23, 1955	4,166	300	5,763
20. Greece	June 24, 1955	5,713	509	8,830
21. Greece	do	7,269	927	13,534
22. Peru (amendment)	June 25, 1955	3,080	322	6,021
23. France	Aug. 11, 1955	650	0	650
24. Peru (amendment)	Sept. 20, 1955	1,044	0	1,044
25. Yugoslavia (amendment)	Oct. 1, 1955	17,871	4,200	42,106
26. Ecuador	Oct. 7, 1955	3,745	294	5,258
27. Spain (amendment)	Oct. 20, 1955	10,000	430	10,632
28. Israel	Nov. 10, 1955	15,115	1,925	27,127
29. Brazil	Nov. 16, 1955	36,172	5,048	74,085
30. Egypt	Dec. 14, 1955	4,818	782	10,682
31. Colombia	Dec. 20, 1955	10,900	700	16,931
32. Argentina	Dec. 21, 1955	24,700	600	25,300
33. Germany	Dec. 23, 1955	1,200	0	1,200
34. Finland (amendment)	Jan. 12, 1956	(1)	(1)	(1)
35. Yugoslavia (amendment)	Jan. 19, 1956	42,778	6,400	77,943
36. Spain (amendment)	Jan. 21, 1956	15,000	1,100	16,100
37. Israel (amendment)	Jan. 31, 1956	900	0	1,760
38. Austria	Feb. 7, 1956	20,797	1,619	32,884
39. Burma	Feb. 8, 1956	20,800	900	31,240
40. Egypt (amendment)	do	4,899	674	10,316
41. Israel (amendment)	Feb. 10, 1956	10,000	0	10,000
42. Egypt (amendment)	Feb. 17, 1956	7,348	1,013	15,550
43. Greece (amendment)	do	5,849	232	6,081
44. Iran	Feb. 20, 1956	10,313	2,612	20,973
45. Pakistan	Mar. 2, 1956	16,900	0	32,652
46. Indonesia	do	91,773	6,918	154,925
47. Spain	Mar. 5, 1956	60,000	4,800	77,689
48. Turkey	Mar. 12, 1956	3,826	194	4,020
49. Korea (as amended Jan. 7, 1957)	Mar. 13, 1956	42,730	5,407	59,328
50. Chile	do	32,508	2,672	49,800
51. Spanish-Swiss (amendment)	Mar. 20, 1956	4,607	393	9,430
52. Finland (amendment)	Mar. 26, 1956	12,100	1,000	18,280
53. Finland (amendment)	Apr. 26, 1956	2,900	465	6,454
54. Paraguay	May 2, 1956	2,600	400	4,273
55. Peru	May 7, 1956	2,470	310	4,364
56. Turkey (amendment)	May 11, 1956	10,143	1,338	21,312
57. Portugal	May 24, 1956	6,294	863	13,494
58. Japan	Feb. 10, 1956[2]	59,857	6,509	101,064

[1] Agreement expired; no funds expended.
[2] Effective May 29, 1956.

Agreements signed from beginning of program through Dec. 31, 1957—Continued

[In thousands of dollars]

Country	Date signed	Market value excluding ocean transportation	Ocean transportation	Estimated CCC cost including ocean transportation
59. United Kingdom	June 5, 1956	$12,000	$186	$12,186
60. Italy (amendment)	July 5, 1956	7,822	178	8,000
61. Netherlands	Aug. 7, 1956	268	7	396
62. Pakistan	do	41,853	2,378	77,592
63. Greece	Aug. 8, 1956	14,867	1,676	21,061
64. China (Taiwan)	Aug. 14, 1956	9,200	600	12,500
65. India (3-year program)	Aug. 29, 1956	305,900	60,200	560,983
66. Pakistan (amendment)	Sept. 7, 1956	2,225	175	2,400
67. Israel	Sept. 11, 1956	9,300	1,400	17,447
68. Spain (amendment)	Sept. 15, 1956	7,000	414	7,414
69. Spain (amendment)	do	2,000	414	2,414
70. Spain	Oct. 23, 1956	45,381	4,219	52,674
71. Finland (amendment)	Oct. 24, 1956	1,540	227	2,949
72. Italy	Oct. 30, 1956	58,781	2,165	78,186
73. Yugoslavia	Nov. 3, 1956	84,100	15,518	145,752
74. France	Nov. 8, 1956	1,400		1,400
75. Turkey	Nov. 12, 1956	39,329	5,792	60,589
76. Pakistan (amendment)	Dec. 3, 1956	24,463	3,306	43,559
77. Thailand (amendment)	Dec. 14, 1956	461	39	807
78. Brazil	Dec. 31, 1956	119,700	19,000	222,457
79. Korea (amends No. 49)	Jan. 7, 1957			
80. Italy (amendment)	do	1,500	100	1,600
81. Greece (amendment)	Jan. 21, 1957	3,700	604	7,112
82. Turkey (amendment)	Jan. 25, 1957	18,189	3,023	29,656
83. Korea	Jan. 30, 1957	17,060	2,111	23,254
84. Ecuador	Feb. 15, 1957	3,770	330	4,698
85. Thailand	Mar 4, 1957	2,033	67	2,100
86. Greece (amendment)	do	4,309	846	8,342
87. United Kingdom (amendment)	Mar. 13, 1957	6,000	23	6,023
88. Spain (amendment)	Mar. 26, 1957	7,200	384	7,584
89. Italy (amendment)	do	7,200	345	7,545
90. Iceland	Apr. 11, 1957	2,525	260	3,577
91. Colombia [1]	Apr. 16, 1957	11,380	1,760	17,323
92. Turkey, supplement	Apr. 20, 1957	2,743	457	4,877
93. Peru	May 2, 1957	3,500	400	5,990
94. Austria	May 10, 1957	13,400	1,300	21,628
95. Finland	do	3,430	273	4,913
96. Poland	June 7, 1957	18,000	900	24,877
97. Bolivia	do	6,230	520	9,061
98. Burma	June 14, 1957	978	22	1,000
99. Philippines	June 25, 1957	9,575	727	15,073
100. United Kingdom, supplement	June 27, 1957	2,200		2,200
101. Poland, supplement	Aug. 14, 1957	42,701	3,782	65,757
102. Mexico	Oct. 23, 1957	26,600	1,600	65,600
103. Israel	Nov. 7, 1957	31,750	3,250	57,300
104. Pakistan	Nov. 15, 1957	53,450	11,950	97,800
105. Greece	Dec. 18, 1957	16,730	3,070	32,700
106. Yugoslavia	Dec. 27, 1957	6,600	900	11,000
107. France	do	2,500	60	2,560
Total all agreements signed through Dec. 31, 1957		2,053,078	247,603	3,343,131

[1] Agreement signed for $20,400,000 of which 61 percent will be financed by CCC under title I, and the remaining 39 percent will be financed by Colombia for dollars.

3. Quantities of commodities covered by sales agreements under title I

Considerable quantities of surplus agricultural products have been sold for foreign currencies under the title I program since its inception. India, Yugoslavia, Spain, Brazil, and Japan, in that order, have been the largest customers of this program. The following schedule sets forth the countries participating and the approximate quantities of commodities contracted for by agreements from the inception of the program through December 31, 1957 (a period of 3½ years).

Quantities of commodities covered by title I sales agreements from beginning of program through Dec. 31, 1957

[In thousands of units]

Country	Wheat and flour	Feed grains	Rice	Cotton	Tobacco	Dairy products	Fats and oils	Other	
	Bushels	*Bushels*	*Hundredweight*	*Bales*	*Pounds*	*Pounds*	*Pounds*		
Argentina							219,160		
Austria	3,497	10,285		70.3	6,090		33,064	1,969	Pounds fruit and vegetables.
Bolivia	2,412		228						
Brazil	85,091	369			121	7,035	50,918		
Burma				125.2	2,772	9,682		1,579	Do.
Chile	8,651			50.9	400		84,738	9	Hundredweight hay and pasture seeds.
China (Taiwan)				35.6	2,000	5,062	10,811		
Colombia	6,890			59.8			21,503		
Ecuador	1,130			6.0	856		30,193		
Egypt	10,645								
Finland	4,558	1,581		41.2	11,829			10,720	Pounds fruit and vegetables.
France					7,716				
Germany								3,000	Pounds poultry.
Greece	17,939	8,871				29,783	79,051		
Iceland	284	616		.5	392		1,130	8,483	Pounds fruit and vegetables.
India	123,519		4,409	500.0	6,000	14,770			
Indonesia	2,889		5,632	244.5	23,037				
Iran	5,227					1,622			
Israel	14,788	16,019	7	19.9	841	60,170	34,200	37 882 40,000	Hundredweight dry edible bans. Pounds fruit and vegetables. Pounds meat.
Italy	887	3,924		453.8	11,798		257,652		
Japan	31,030	12,058	2,142	317.0	9,839				
Korea	5,507	13,181	3,469	49.9	12,667	1,288	3,125	19,842	Pounds meat.
Mexico		20,501							
Netherlands				1.8					
Pakistan	39,770		9,043	189.5	5,317	9,257	24,183		
Paraguay	994					993	3,126		
Peru	7,186					154	7,964		
Philippines			357	32.7		10,540	4,125	7 1,867	Pounds dry edible beans. Pounds meat.
Poland	14,808			197.9			42,317		
Portugal	3,879								
Spain	2,446	6,808		221.9	11,388		562,806	66,667 72,649	Pounds fruit and vegetables. Pounds meat.
Thailand					5,332	1,957			
Turkey	33,685	13,563	220				115,576	16,604	Do.
United Kingdom					47,196			34,534	Pounds fruit and vegetables.
Yugoslavia	79,540			210.4			192,117		
Total	507,252	107,776	25,507	2,828.8	165,591	152,253	1,777,768	278,849	

4. Price values of commodities covered by sales agreements under title I

Sales for foreign currencies under title I have generally been made at a price level no lower than that for commodities available for export sales for dollars. It is to be noted, however, that although the sales price of our commodities may represent world market prices, the United States does not always obtain local currencies equivalent to the United States dollar value of the sales price of the commodities. This may be caused by a foreign country using multiple-rate systems for converting local currencies; one conversion rate for imports, another four tourism, and still another for local trade. In some cases, if consideration is given to the conversion rate factor, the commodities have been sold well below world market prices. This is particularly true with respect to commodity sales to Turkey and Colombia. Although the agreements signed through December 31, 1957, total $2,300.8 million (market value including ocean freight), shipments of commodities as of December 31, 1957, totaled approximately $1,650 million.

The following schedule sets forth by country the market value (not considering conversion rate of currency) for each commodity covered by agreement and, as a comparison, the estimated CCC cost of all commodities purchased by each country. In addition the schedule shows by commodity the total market value and corresponding CCC cost value of all commodities contracted for.

Commodity composition of programs under title I, Public Law 480—Agreements signed from beginning of program through Dec. 31, 1957

[In millions of dollars]

Country	Wheat and flour	Feed grains	Rice	Cotton	Tobacco	Dairy products	Fats and oils	Other	Market value	Ocean transportation [1]	Market value including ocean transportation	Estimated CCC cost including ocean transportation
Argentina							30.4		30.4	0.7	31.1	33.5
Austria	5.9	14.7		10.6	3.8		4.4	[2] 0.3	39.7	3.5	43.2	62.3
Bolivia	4.8		1.5						6.3	.5	6.8	9.1
Brazil	[3] 144.9	.6			.3	2.2	7.9		155.9	24.0	179.9	296.6
Burma				17.5	2.1	2.0		[2] .2	21.8	.9	22.7	32.2
Chile	14.2			7.3	.3		14.9	[4] .4	37.1	3.1	40.2	56.7
China (Taiwan)				5.0	1.7	1.5	1.0		9.2	.6	9.8	12.5
Colombia	13.4			9.5			3.6		26.5	2.7	29.2	40.0
Ecuador	2.2			.8	.7		3.8		7.5	.6	8.1	10.0
Egypt	17.0								17.0	2.5	19.5	36.5
Finland	7.7	2.4		6.8	7.0			[2] 1.2	25.1	2.1	27.2	37.8
France					4.5				4.5	.1	4.6	4.6
Germany								[5] 1.2	1.2		1.2	1.2
Greece	30.5	10.5				3.8	13.7		58.5	7.8	66.3	97.7
Iceland	.6	.7		.1	.4		.2	[2] .5	2.5	.3	2.8	3.6
India [6]	200.0		26.4	70.0	6.0	3.5			305.9	[7] 60.2	366.1	561.0
Indonesia	5.0		35.8	36.0	15.0				91.8	6.9	98.7	154.9
Iran	9.5					.8			10.3	2.6	12.9	21.0
Israel	25.5	18.8	.5	3.4	.6	14.7	5.1	[8] 10.4	79.0	8.3	87.3	135.1
Italy	1.5	5.5		65.3	8.9		42.4		123.6	4.5	128.1	165.4
Japan	48.6	15.2	13.7	52.8	7.7				138.0	13.4	151.4	207.3
Korea	8.7	15.3	24.5	9.8	6.6	.4	.5	[9] 8.0	73.8	8.5	82.3	97.6
Mexico		26.6							26.6	1.6	28.2	65.6
Netherlands				.3					.3	[10]	.3	.4
Pakistan	66.4		58.7	29.0	4.7	4.7	3.5		167.0	19.1	186.1	293.1
Paraguay	1.7					.4	.5		2.6	.4	3.0	4.3
Peru	12.0					.1	1.0		13.1	1.3	14.4	23.4
Philippines			2.5	4.9		1.1	.5	[11] .6	9.6	.7	10.3	15.1
Poland	25.6			31.5			3.6		60.7	4.7	65.4	90.7
Portugal	6.3								6.3	.9	7.2	13.5
Spain [12]	4.6	9.4		[13] 32.9	6.2		98.4	[14] 18.9	170.4	13.9	184.3	205.6
Thailand					3.9	.5			4.4	.2	4.6	4.9

See footnotes at end of table, p. 1142.

Commodity composition of programs under title 1, Public Law 480—Agreements signed from beginning of program through Dec. 31, 1957—Con.

[In millions of dollars]

Country	Wheat and flour	Feed grains	Rice	Cotton	Tobacco	Dairy products	Fats and oils	Other	Market value	Ocean transportation[1]	Market value including ocean transportation	Estimated CCC cost including ocean transportation
Turkey	58.0	15.7	1.4				16.2	[18] 4.4	95.7	15.9	111.6	158.3
United Kingdom					33.0			[19] 2.2	35.2	.4	35.6	35.6
Yugoslavia	137.2			32.6			26.0		195.8	34.6	230.4	356.1
Total agreements	851.8	135.4	165.0	426.1	113.4	35.7	277.6	48.3	2,053.3	247.5	2,300.8	
Comparative CCC cost	1,462.4	244.5	289.1	595.5	113.4	59.3	283.2	48.3		247.5		3,343.2

[1] Includes only ocean transportation to be financed by CCC.
[2] Fruit: Dried, fresh, and juices.
[3] Includes $110,000,000 under fiscal year 1957 agreement to be shipped over a 3-year period.
[4] Hay and pasture seeds.
[5] Poultry.
[6] 3-year program except rice, which is a 1-year program.
[7] Includes $6,000,000 estimated for ocean freight differential for which no rupee deposits are required. The balance, $54,200,000, only, is reflected in the currency use table.
[8] Dry edible beans, $300,000; chilled or frozen beef, $10,000,000; dried prunes, $100,000.
[9] Canned pork.
[10] Less than $50,000.
[11] Variety meats, $500,000; dry edible beans, $100,000 million.
[12] Wheat to be sold to Spain for resale to Switzerland for financing procurement of Swiss goods by Spain.
[13] Cotton linters, $300,000.
[14] Hams $1,600,000; salt pork $400,000; potatoes $1,400,000; frozen beef $15,500,000.
[15] Canned and frozen beef.
[16] Fruits, fresh and canned.

5. CCC cost of commodities programed under title I by country

The following schedule is a compilation of the estimated CCC cost of the commodities covered by title I sales agreements for each country. Since not all of the commodities have been shipped it has been necessary to estimate the CCC cost of those commodities to be shipped at some future date.

Commodity composition of programs under title I, Public Law 480—Estimated CCC cost from beginning of program through Dec. 31, 1957

[In millions of dollars]

Country	Wheat and flour	Feed grains	Rice	Cotton	Tobacco	Dairy products	Fats and oils	Other	Total CCC cost
Argentina							32.8		32.8
Austria	10.4	24.5		15.4	3.8		4.4	[1] 0.3	58.8
Bolivia	6.3		2.3						8.6
Brazil	[2] 260.1	.6			.3	3.7	7.9		272.6
Burma				27.0	2.1	2.0		[1] .2	31.3
Chile	26.3			11.1	.3		15.5	[3] .4	53.6
China (Taiwan)				7.7	1.7	1.5	1.0		11.9
Colombia	21.2			12.4			3.7		37.3
Ecuador	3.6			1.3	.7		3.8		9.4
Egypt	34.0								34.0
Finland	15.1	3.7		8.7	7.0			[1] 1.2	35.7
France					4.5				4.5
Germany								[4] 1.2	1.2
Greece	50.9	20.3				5.0	13.7		89.9
Iceland	.6	1.5		.1	.4		.2	.5	3.3
India	322.8		57.3	108.0	6.0	6.7			500.8
Indonesia	8.4		71.4	53.2	15.0				148.0
Iran	17.0					1.4			18.4
Israel	45.1	34.1	.5	4.1	.6	26.8	5.2	[5] 10.4	126.8
Italy	3.1	8.9		97.6	8.9		42.4		160.9
Japan	81.2	24.4	18.4	62.2	7.7				193.9
Korea	15.2	23.7	24.5	10.0	6.6	.6	.5	[6] 8.0	89.1
Mexico		64.0							64.0
Netherlands				.4					.4
Pakistan	109.5		108.1	39.5	4.7	8.0	4.2		274.0
Paraguay	3.0					.4	.5		3.9
Peru	21.0					.1	1.0		22.1
Philippines			3.9	7.1		2.3	.5	[7] .6	14.4
Poland	39.5			42.9			3.6		86.0
Portugal	12.6								12.6
Spain	9.0	14.4		[8] 44.4	6.2		98.8	[9] 18.9	191.7
Thailand					3.9	.8			4.7
Turkey	93.4	24.4	2.7				17.5	[10] 4.4	142.4
United Kingdom					33.0			[11] 2.2	35.2
Yugoslavia	253.1			42.4			26.0		321.5
Total	1,462.4	244.5	280.1	595.5	113.4	59.3	283.2	48.3	3,095.7

[1] Fruit: dried, fresh and juices.
[2] Includes amount under fiscal year 1957 agreement to be shipped over a 3-year period.
[3] Hay and pasture seeds.
[4] Poultry.
[5] Dry edible beans $300,000; chilled or frozen beef, $10,000,000; fruit $100,000.
[6] Canned pork.
[7] Variety meats $500,000; dry edible beans $100,000.
[8] Includes linters.
[9] Hams $1,600,000; salt pork $400,000; potatoes $1,400,000; frozen beef $15,500,000.
[10] Canned and frozen beef.
[11] Fruits, fresh and canned.

6. Stage of completion of the title I program

A summary of the title I program as of December 31, 1957, showing the estimated balance that may be used in completing the program under present authorization, is set forth as follows:

[In thousands]

Total authorized by law		$4,000,000
Add dollar reimbursement to CCC for—		
1. Foreign currencies used (November 1957)		104,362
2. Foreign currencies used for housing projects under Public Law 161 (November 1957)		17,773
Total available for sales agreements		4,122,135
Sales agreements entered into	$3,343,131	
Interest on CCC investment (November 1957)	65,912	
		3,409,043
Estimated remaining balance available for sales agreements		713,092

The amount available for future sales agreements of surplus agricultural programs will be enlarged by future dollar reimbursements to CCC through the sale of foreign currencies for dollar appropriations and foreign currencies used for military housing.

B. TITLE II, PUBLIC LAW 480

Title II, as amended, authorizes CCC to make surplus agricultural commodities available for (1) transfer to any nation friendly to the United States to meet famine or other urgent or extraordinary relief requirements, and (2)to friendly but needy populations regardless of the friendliness of their government.

The ICA is responsible for administering this program. This is in addition to sales for foreign currencies under sections 550 and 402 of the Mutual Security Act.

Up to $800 million may be sent in reimbursing CCC for its investment in the commodities and other costs, including ocean-freight charges from United States ports to ports of entry abroad. The title II program of assistance began in fiscal year 1955 and has been extended until June 30, 1958. In addition, title II funds may be used to pay ocean-freight costs on surplus food donated through the United States voluntary agencies and intergovernmental organizations under title III of Public Law 480. Transfers under this authority usually are made on the basis that the commodities be distributed free of cost to needy recipients in the foreign countries. In some instances it has been determined to be in our national interest, or has been necessary for practical reasons, to permit foreign governments to use some of the commodities as payment for work relief or for sale to the consumers. If the surplus agricultural commodities are sold by the foreign countries for local currencies, the sales proceeds must be used by the foreign government, upon agreement with the United States, for purposes designed to strengthen and rehabilitate its economy. Reasonable precautions must be taken to assure that these transfers will not displace or interfere with sales that might otherwise be made. Packages or containers of food are labeled as gifts of the United States.

Title II authority enables the United States to use some of its surplus farm products to alleviate suffering following in the wake of floods, earthquakes, hurricanes, drought, crop shortages, and other natural disasters.

Some of the examples of emergency help are described as follows:

In February 1956 the President offered help to Western European countries which had been afflicted by an unusually bad winter. The

offer was accepted by a number of countries including Italy, Greece, Hungary, Turkey, and Yugoslavia. Over 200,000 metric tons of food and feed grains, fats, and milk were shipped under the program to relieve suffering and distress.

Most of the programs are undertaken in response to requests from foreign governments. Afghanistan turned to the United States for assistance after a serious crop failure in 1956. Shipment of about 40,000 tons of wheat, valued at $5.7 million, was used to help prevent famine, inflation, and serious unrest.

Food shipments have also supplemented relief programs undertaken by other United States agencies. In the fall of 1956, at the request of the Secretary of the Army, over 200,000 bags of rice were supplied for civilian relief in the Ryukyu Islands, which had been severely damaged by a typhoon.

Shipments of $3.1 million of foods, mostly rice, went to Bolivia in fiscal year 1957 to relieve suffering from the effects of severe drought and premature frost.

Shipments have also gone behind the Iron curtain, as authorized in accordance with the provision of the legislation which authorizes transfers "to friendly but needy populations without regard to the friendliness of their governments." Such shipments have been made to Czechoslovakia, Soviet occupied Germany, and Hungary. Distribution of the food and feed was handled in all instances by international organizations.

The United States has also assisted Japan and Italy to expand their school-lunch programs by supplying foods over a 3- to 4-year period. The United States contribution is reduced successively each year, while that of the foreign country is increased.

Small amounts of cotton have been made available to United States voluntary agencies for manufacturing into bedding, towels, and shirts for free distribution to the needy in Korea, Germany, and Italy. Because of the high processing cost such programs are not likely to continue or expand.

The schedule immediately following shows the CCC investment cost value of commodities authorized for each country from the inception of the program (fiscal year 1955) through December 31, 1957. Following this schedule is another schedule showing the quantities of commodities authorized for each foreign country.

Title II, Public Law 480 transfer authorizations [1]—Inception through Dec. 31, 1957, CCC investment cost value

[In thousands of dollars]

Country	Barley	Dried beans	Butter	Butter oil	Cheese	Corn	Corn meal	Cotton	Cottonseed oil	Dry milk	Rice	Rye flour	Wheat	Wheat flour	Commodity total	Ocean transportation	Total
Afghanistan													$11,153		$11,153	$2,399	$13,552
Austria						$14,278									14,278	1,762	16,040
Bolivia								$2,527	$1,137	$391	$3,024		10,129		17,208	1,923	19,131
Cambodia											2,343				2,343	292	2,635
Costa Rica		$51		$68		37					57				213		213
Czechoslovakia						1,995									1,995	383	2,378
East Germany	$179		$81			201					62	$94		$142	759	111	870
West Germany			709		$367	686		629	202		171			236	3,000	182	3,182
Guatemala						3,238									3,238	400	3,638
Haiti		1,226					$135		180	45	1,574			205	3,365	508	3,873
Honduras		70				60					82				212		212
Honduras, British		46		106		26				45	30			22	275		275
Hungary		437	1,486	54	1,705	1,875			556	1,729	413		3,610	467	12,332	1,394	13,726
India										1,165	2,483		1,017		4,665	705	5,370
Iran													2,748		2,748	650	3,398
Italy		1,155	9,620		21,633	3,491		3,684	686	6,498			5,025	6,526	58,318		58,318
Japan										8,300			28,081		36,381		36,381
Korea								80							80	5	85
Laos											839				839	56	895
Libya													9,335		9,335	1,314	10,649
Mexico						216									216		216
Morocco													7,000		7,000	925	7,925
Nepal						61				4			145		210	45	255
Pakistan				2,041				4,474	4,108	252	14,681		15,074		40,630	5,181	45,811
Peru	5,593					4,386				801			4,593	769	16,142	1,985	18,127
Christmas program: Operation Poinsettia		1,005	3,563		2,010				2,410	2,195	3,185			2,306	16,674	46	16,720
Ryukyu Islands											1,887				1,887		1,887
Spain								1,887							1,887		1,887
Tunisia					785					417			5,681	620	7,530	1,275	8,778
Turkey			3,542		2,276					1,591	41		4,547	183	12,180	1,283	13,463
Vietnam														727	727	116	843
Yugoslavia			1,431							101	84		45,378		46,994	394	47,388
Total	5,772	3,990	20,432	2,269	28,776	30,550	135	13,281	9,279	23,534	30,956	94	153,516	12,203	334,787	23,334	358,121

[1] Cost value represents amount of final billing as of Dec. 31, 1957, or amount provided in authorization when billing is not complete as of that date.

Ocean transportation:	
Paid from funds advanced by ICA	$13,174
Paid or to be paid from CCC capital funds	10,160
Total	23,334

Title II, Public Law 480 transfer authorizations—Inception through Dec. 31, 1957

[Quantities in thousands]

Country	Barley	Dried beans	Butter	Butter oil	Cheese	Corn	Corn meal	Cotton	Cotton seed oil	Dry milk	Rice	Rye flour	Wheat	Wheat flour
	Bushels	*Hundredweight*	*Pounds*	*Pounds*	*Pounds*	*Bushels*	*Pounds*	*Bales*	*Pounds*	*Pounds*	*Hundredweight*	*Hundredweight*	*Bushels*	*Pounds*
Afghanistan													3,008	
Austria						4,920								
Bolivia								13	5,187	2,196	286		3,125	
Cambodia											220			
Costa Rica		6		80		32					5			
Czechoslovakia						787								
East Germany	79		110			80					5	11		1,653
West Germany			1,102		884	291		3	915		15			3,307
Guatemala						1,280								
Haiti		136					2,313		674	238	156			2,688
Honduras		7				24					7			
Honduras, British		6		127		10				213	2			302
Hungary		49	2,207	56	3,673	688			2,307	7,982	30		1,046	6,584
India										6,607	224		373	
Iran													726	
Italy		132	14,508		47,522	1,378		20	3,335	32,847			1,418	94,397
Japan										43,651			9,258	
Korea								(1)						
Laos											88			
Libya													2,723	
Mexico						84								
Morocco													1,837	
Nepal						24				22			45	
Pakistan				2,143				19	20,243	1,376	1,310		4,660	
Peru	2,599					1,454				4,413			1,252	10,134
Christmas package program: Operation Poinsettia		88	4,700		4,255				8,135	9,642	246			24,265
Ryukyu Islands											201			
Spain								12						
Tunisia					1,471					1,957			1,651	7,392
Turkey			5,536		5,580					7,703	3		1,448	2,204
Vietnam														8,793
Yugoslavia			2,097							475	9		14,437	
Total	2,678	424	30,260	2,406	63,385	11,012	2,313	67	40,796	119,322	2,807	11	47,007	161,719

[1] Less than 500 bales.

1. Stage of completion of the title II program

A summary of the title II program as of December 31, 1957, showing the estimated balance available for completion of the program under present authorization is set forth as follows:

[In thousands]

Total authorized by law		$800,000
Less amount used:		
Commodity authorizations issued	$334,787	
Advance to ICA for ocean transportation (titles II, III)	37,638	
Interest on CCC investment	9,171	
		381,596
Estimated remaining balance available		418,404

C. TITLE III, PUBLIC LAW 480

Title III of the act covers donations for domestic use and for distribution abroad by nonprofit voluntary agencies and intergovernmental organizations as well as CCC barter activities.

1. Section 302, domestic donations

Domestic donations are made from CCC stocks to the Bureau of Indian Affairs and to State, Federal, or private agencies for use in nonprofit school-lunch programs, in the assistance of needy persons, and in charitable institutions, including hospitals, to the extent that needy persons are served.

The USDA ships available foods as they are ordered to the central receiving points designated by the State distributing agencies, the unit of the State government designated by the governor, to assist in operation of the program. The carload shipments are then broken down by the State into lots of smaller size and trucked to participating schools. The distribution for needy persons in institutions is also on a cooperative Federal-State operation with shipments by USDA to State distribution points in carload lots and redistribution in smaller lots to county and city agencies, and then to eligible recipients.

The following schedule shows the domestic distribution from the enactment of Public Law 480 through December 31, 1957:

Domestic distribution of CCC-owned commodities under sec. 302 from July 1, 1954, through Dec. 31, 1957

[In millions of dollars]

Commodity	Schools	Institutions	Needy persons	Total
Butter	54.7	29.4	35.9	120.0
Cheese	24.4	12.7	40.4	77.5
Milk (nonfat dry)	8.0	5.1	19.9	33.0
Beans (dry)	2.4	.4	2.3	5.1
Corn (whole)	.1	.1		.2
Corn meal	1.7	.8	6.5	9.0
Rice	5.8	2.9	9.8	18.5
Wheat (whole)	.5	.6		1.1
Wheat (flour)	5.0	6.1	10.8	21.9
Total	102.6	58.1	125.6	286.3

2. Section 302, foreign donations

After provision has been made for the needs of users in this country of surplus foods, section 302 authorizes donations of surplus foods in CCC stocks to United States nonprofit voluntary agencies registered with and approved by the Advisory Committee on Voluntary Foreign Aid of ICA. Donations may also be made for distribution abroad by intergovernmental organizations such as United Nations International Children's Emergency Fund.

Ocean freight costs on shipments of these surplus foods by the voluntary agencies may be financed under the authority of title II of Public Law 480, which is administered by ICA. Until fiscal year 1957, ocean freight costs paid by the United States on these shipments were financed from funds appropriated pursuant to the Mutual Security Acts.

Twenty-six voluntary agencies have operated in 100 foreign countries and areas. The voluntary agencies participating in the surplus food distribution program are required to submit an annual plan of operation for each country for review and approval by ICA and the USDA. The plans may be revised later on a quarterly basis. The plans include an estimate of the amounts of foods required, the number of recipients, proposed methods of distribution and other relevant data. The agencies are responsible for assuring that there is a real need for free distribution of food which could not be met through other means. Each agency is required to be represented by a United States national in every country in which there is a free surplus food distribution program.

Coordinating committees have been established in most of the principal receiving countries in which two or more voluntary agencies are operating. These committees, comprised of representatives of the voluntary agencies, the foreign government, and the United States, review proposed plans of operation in order to eliminate possible overlapping of distribution and to assure, insofar as possible, that the proposed programs will not conflict with other United States surplus-disposal programs. All programs are reviewed at Washington, D. C., by ICA, the USDA, and the Interagency Staff Committee with particular reference to assuring that they will not displace normal commercial trade or interfere with other United States surplus-disposal programs.

Processing, packaging, and other related costs of the foods are financed by the United States Government under the authority of title III of Public Law 480. Ocean freight costs may be financed under title II of the act or may be paid in whole or in part by the agencies or by the governments of the recipient countries. If the United States finances freight costs, the foreign governments must agree to accord duty-free entrance to such shipments and to defray inland transportation and related costs. In those instances in which the United States does not finance ocean freight, the costs of transportation and distribution may be paid by the foreign government or by the relief agencies. The surplus agricultural commodities are identified as a gift of the people of the United States and are given free to needy persons who do not have the means to buy them.

The schedule which follows sets forth the quantities of various commodities approved for donation through voluntary agencies for foreign distribution from the beginning of the program through December 31, 1957.

	Million pounds		Million pounds
Butter	179.7	Corn	150.8
Butter oil	126.2	Corn meal	455.8
Cheese	476.2	Rice	373.6
Nonfat dry milk	1,513.9	Wheat	303.6
Cottonseed oil	42.7	Wheat flour	934.2
Shortening	34.6		
Dry edible beans	122.2	Total pounds	4,713.5

The above commodities have an estimated CCC cost value of approximately $935.7 million.

3. Section 303, barter

Section 303 directs the Secretary of Agriculture to use every practicable means to expedite the barter or exchange of CCC-owned agricultural commodities for strategic materials entailing less risk of loss through deterioration or subject to substantially lower storage costs; and for other materials, goods, and equipment needed by Government agencies for their programs. Barter transactions are effected through contracts between CCC and private United States business firms under which the contracting firms use commercial trade channels in fulfilling the contracts.

Barter contracts provide for the delivery of specified materials with payment to be received in CCC-owned agricultural commodities which must be exported by the contractor. The origin of materials and the destination of agricultural commodities are limited to friendly countries but the countries are not required to be identical. The value of the materials is not to exceed current market prices when the offer is accepted and agricultural commodities are valued at prevailing CCC export prices applicable to export sales when commodities are taken by the contractor. Barter contractors are encouraged to take agricultural commodities in advance of material deliveries to effect storage savings, and the excess in agricultural commodity exports is covered by cash deposits or irrevocable letters of credit in favor of CCC. Barter is designed to permit purchase by United States firms of materials abroad for Government use conditional upon the firms' ability to export an equivalent value of agricultural commodities from CCC inventories in payment.

In recent months new provisions have been incorporated in barter transactions. Barter contractors must now designate the commodities to be taken from CCC; interest must be paid to CCC for any time lag between delivery of the commodity and delivery of materials; commodities cannot be transshipped from approved countries of destination; materials delivered may not be produced or processed in the United States; and the origin of the materials must be specified. In addition, shipments to countries considered to be normal dollar markets may be made only when the barter transactions are in addition to normal dollar sales.

Foreign-produced materials acquired through barter are either strategic materials for stockpiling or supply materials for United States Government agencies. The strategic materials fall in three categories, minimum and long-term, to be transferred to the national stockpile with reimbursement to CCC, and supplemental which are to be transferred to the supplemental stockpile, also with reimbursement to CCC. Other materials acquired for United States Government agencies are transferred to the agencies with reimbursement to CCC. The following is an analysis of the foreign-produced

materials acquired by barter from July 1, 1954, through December 31, 1957:

[In millions of dollars]

Materials	
Strategic:	
Minimum stockpile	138.7
Long-term stockpile	264.2
Supplemental stockpile	371.8
Total strategic	774.7
Materials for Government agencies:	
ICA	31.0
AEC	13.3
Defense	54.1
Total supply	98.4
Grand total	873.1

Agricultural commodities exported in fulfillment of barter contracts have been made to 45 countries. The following schedule shows the commodity exports under barter contracts for the period July 1, 1954, through December 31, 1957:

Commodities:		*1500 units*
Wheat	bushel	203,230
Corn	do	114,463
Barley	do	63,550
Oats	do	38,034
Rye	do	11,578
Grain sorghums	hundredweight	39,283
Cottonseed oil	pound	34,731
Wool	do	3,063
Cotton	bale	1,442
Other	metric ton	106

The following schedule lists the countries which have received agricultural commodities exported under barter arrangements under section 303, title III, from July 1, 1954, through December 31, 1957, with the total commodity value computed at export market prices:

Country:	*Value, in thousands*	Country—Continued	*Value, in thousands*
Austria	$5,595	Korea	$3,255
Belgium	96,586	Mexico	13,183
Brazil	547	Netherlands	123,892
British West Indies	33	Norway	13,935
Chile	2,726	Panama	67
Colombia	2,659	Peru	2,282
Costa Rica	211	Philippines	26
Cuba	1,758	Portugal	3,467
Cyprus	6	Saudi Arabia	281
Denmark	5,591	South Africa	858
Ecuador	33	Spain	4,618
Egypt	8,080	Sweden	2,503
El Salvador	72	Switzerland	3,124
Finland	1,992	Taiwan (Formosa)	2,858
France	39,053	Trieste	1,358
West Germany	94,890	Trinidad	11
Greece	11,354	Turkey	7,913
Guatemala	142	United Kingdom	177,922
India	2,395	Uruguay	500
Iran	95	Venezuela	287
Ireland	19,100	Yugoslavia	2,743
Israel	8,904	Others	112,454
Italy	9,629		
Japan	109,675	Total	898,663

The CCC cost value is considerably more than export market prices. CCC "report of financial condition and operations" indicates that the CCC cost of commodities exported under barter through November 30, 1957, was $1,349 million compared to the $898 million export market price for shipments through December 31, 1957.

Representatives of USDA advised that as of December 31, 1957, CCC has received reimbursement for $216.5 million for strategic materials delivered to the strategic stockpile and $67.6 million for materials delivered to other Government agencies. CCC has advised that as of November 30, 1957, a total of $264.3 million in strategic materials has been transferred to the supplemental stockpile, for which reimbursement to CCC will be in the form of an appropriation by Congress as provided in section 206 of Public Law 540, 84th Congress. The balance of the materials in CCC's inventories, as well as subsequent deliveries of such materials under existing contracts, will be transferred to the stockpiles or to other Government agencies with reimbursement to CCC.

IV. Local Currencies Generated by Title I Sales Agreements and Use of Currencies

A. FINANCIAL ARRANGEMENTS FOR TITLE I, PUBLIC LAW 480 TRANSACTIONS

After the sales agreements have been entered into, the importing country applies to the USDA through the Foreign Agricultural Service for issuance of purchase authorizations which provide for dollar financing of the commodity sales and specify the conditions under which such financing will be made available. Sales under these purchase authorizations are made by private United States exporters to importers authorized by the importing country. Public announcements are made when agreements are signed and purchase authorizations are issued.

When authorizations are issued, the importing country designates certain banks in its country and in the United States to participate in the program. The CCC issues letters of commitment to the United States banks in the amounts requested by the importing country. Each letter of commitment names the foreign bank as well as the United States bank and constitutes commitment by CCC to reimburse the United States bank for payments made under letters of credit for the account of the foreign bank.

A commercial importer in the importing country buys United States surpluses from a United States exporter. The importer pays for the surpluses in foreign currencies at the foreign bank. The American exporter, however, receives his payment in dollars from the United States bank.

The United States bank is reimbursed by CCC. Foreign currency which paid for the transaction is deposited by the foreign bank to the account of the United States in the foreign country. The foreign currency is used abroad by the United States to buy strategic and critical materials; develop new markets for United States agricultural commodities; procure military equipment, materials, facilities, and services for the common defense; pay United States obligations abroad; loans to private enterprises; and finance international educational ex-

change activities, textbooks, and libraries abroad. The currency is also used to finance the purchase of goods or services for other countries and is loaned or granted to importing countries for economic development purposes.

To the extent CCC is not otherwise reimbursed by Government agencies utilizing foreign currencies accruing under title I transactions, CCC is reimbursed through appropriations for commodities disposed of and costs incurred under such transactions.

B. PLANNED USES OF FOREIGN CURRENCIES GENERATED BY SALES AGREEMENTS UNDER TITLE I

Foreign currencies accruing from title I sales agreements may be used for a variety of purposes. Specific types of uses were established by section 104 of Public Law 480. The responsibility for administering the expenditure of foreign currencies is assigned by Executive order to various agencies as follows:

Authority	Currency use	Responsible agency
Sec. 104 (a)	Agricultural market development	Department of Agriculture.
Sec. 104 (b)	Supplemental stockpile	Office of Defense Mobilization.
Sec. 104 (c)	Common defense	International Cooperation Administration and Department of Defense.
Sec. 104 (d)	Purchase of goods for other countries	International Cooperation Administration.
Sec. 104 (e)	Grants for economic development	Do.
Sec. 104 (e)	Loans to private enterprise	Export-Import Bank of Washington.
Sec. 104 (f)	Payment of United States obligations	Any agency.
Sec. 104 (g)	Loans for economic development	International Cooperation Administration.
Sec. 104 (h)	International educational exchange	Department of State.
Sec. 104 (i)	Books and periodicals	U. S. Information Agency.
Sec. 104 (j)	American-sponsored schools and centers	Department of State and U. S. Information Agency.

In negotiating sales agreements with foreign countries, experience has shown that in order to complete sales of our surplus agricultural commodities it is necessary for a considerable portion of the sales proceeds to be made available under section 104 (g) for financing economic projects in the purchasing country. Such funds are made available on a loan basis extending over a period of years (some loans have been made for 40 years) rather than on a grant basis. The loans are interest bearing, usually with a lesser interest rate if repayment is made in dollars and a higher interest rate if repayment is made in foreign currency. In some few cases provision has been made for accepting strategic materials in repayment of the loan.

In countries having multiple-rate systems, the rates of exchange between their currencies and the dollar may differ with the purpose for which they are to be used. In such cases the rate at which the purchase price of the commodities will be paid in foreign currency must be negotiated to assure a rate adequate for the purpose of the United States, and at the same time conform to the pattern of exchange rate of the country concerned. In some cases, in order to make the sale, it has been necessary to negotiate with a foreign country at an exchange rate which might be less favorable than the United States would normally like. However, arrangements are sought which are as favorable to the United States as possible and at the same time permit the purpose of the act to be furthered.

Agreements entered into as of December 31, 1957, will, when completed, generate the dollar equivalent of $2,300.8 million. The uses of foreign currencies, to be acquired through sales under title I, are set forth in the sales agreements, that is, the portion which will be used in one or more of the different sections of section 104 of Public Law 480. This distribution has been arrived at by agreement between the responsible agencies having a need for the local currencies to carry out certain programs. In order to gain flexibility in the use of funds many agreements provide that a specified amount may be used under several section 104 programs thus permitting a later distribution according to the United States needs. There can be no redistribution of the amounts shown in the sales agreements to be used for section 104 (g), loans for economic development, since this sum has been agreed to be loaned to the participating country at the time the sales agreement was negotiated.

The following schedule shows the details of planned currency uses in each foreign country as of December 31, 1957:

Planned uses of foreign currency under title I, Public Law 480, agreements signed from beginning of program through Dec. 31, 1957 [1]

Planned uses of foreign currency under title I, Public Law 480, agreements signed from beginning of program through Dec. 31, 1957 [1]

[In millions of dollars]

Country	Total amount programed (market value including ocean transportation)	Market development (104 (a))	Purchase of strategic material (104 (b))	Military procurement (104 (c))	Purchase of goods for other countries (104 (d))[2]	Grants for multilateral trade and economic development (104 (e))	Loans to private enterprise (104 (e))	Payment of United States obligations[3] (104 (f))[6]	Loans to foreign governments (104 (g))	International educational exchange (104 (h))	Translation and publication (104 (i))	Information and education (104 (j))
Argentina	31.1	0.6						9.8	20.0	0.7		
Austria	43.2	1.0			3.1			12.1	26.3		0.1	0.6
Bolivia	6.8	.3		(7)				.7	5.4	.2		.2
Brazil	179.9	2.7		2.0				22.3	149.4	2.1	.5	.9
Burma	22.7	.5			(7)			4.1	18.1			
Chile	40.2	.8		.1				6.4	31.7	1.2		
China (Taiwan)	9.8	.7		4.9				3.4		.8		
Colombia	29.2	.8		.1	(7)			4.7	22.2	.6	(7)	.8
Ecuador	8.1	.4						.8	6.3	.4		.2
Egypt	19.5	.5						4.6	13.6	.8		
Finland	27.2	.5			[2] 13.0			13.0		.3	.3	.1
France	4.6	1.6			.8		0.6	.6		1.0		
Germany	1.2	1.1						.1				
Greece	66.3	1.9				7.5	2.9	14.4	37.5	.6		1.5
Iceland	2.8	.1						.4	2.2	.1		
India (3-year program)	[4] 360.1	4.0			[2] 5.0	54.0		61.2	234.1	1.8		
Indonesia	98.7	1.0	2.0					16.1	79.0	.6		
Iran	12.9	.2		5.9				3.2	2.5	.8		.3
Israel	87.3	.7			(7)		8.7	19.6	58.3			
Italy	128.1	2.7			[2] 10.0			26.3	88.1			1.0
Japan	151.4	3.3		(5)	10.9			[5] 25.8	109.3	2.1		
Korea	82.3	.5		66.1				14.2		.9		.6
Mexico	28.2	2.5					7.1	2.9	13.6	1.2		.9
Netherlands	.3	.3						(7)				
Pakistan	186.1	2.4		79.3			16.4	28.7	54.4	2.1	1.3	1.5
Paraguay	3.0	.2						.4	2.2	.2		
Peru	14.4	.9		.1				2.1	10.4	.5	.1	.3
Philippines	10.3	.8		2.1				1.4	5.2	.8		
Poland	65.4				(7)			65.4				
Portugal	7.2	.3						3.1	3.5	.3		
Spain	184.3	3.0						66.2	113.0	1.1	.5	.5
Thailand	4.6	.7						.8	2.1	.6	.1	.3
Turkey	111.6	.6						51.2	55.5	1.4	.1	2.8
United Kingdom	35.6	.3		(5)				[5] 35.3				
Yugoslavia	230.4	1.0		88.9				51.8	88.4		.3	
Total agreements	[4] 2,294.8	38.9	2.0	249.5	42.8	61.5	35.7	573.1	1,252.3	23.2	3.3	12.5
Uses as percent of total	100.0	1.7	.1	10.9	1.9	2.7	1.5	25.0	54.6	1.0	.1	.5

See footnotes on p. 1156.

[1] Amounts shown on this table are subject to adjustment when actual purchases and allocations have been made. Amounts are in dollar equivalent at the deposit rates of exchange.

[2] Amounts shown in this column indicate a specified amount in the agreement for this use. Footnote 2 only shows an unspecified amount for possible procurement for 3d countries. A footnote and an amount indicate more than 1 agreement including both specified and unspecified amounts.

[3] $50,000 or less.

[4] Total market value differs from total of agreements by $6 million estimated for ocean freight differential in the Indian agreement for which no rupee deposits will be required.

[5] The Japanese agreement for the July–June year 1955–56 provides for the use of $8.1 million and the United Kingdom agreements provide for approximately $35.1 million under subsec. 104 (c). However, since in return for this currency use, these countries will construct and make available to the United States Armed Forces an equivalent value of dependent housing, the amounts are shown under 104 (f).

[6] In order to provide flexibility in the use of funds, many agreements provide that a specified amount of local currency proceeds may be used under secs. 104 (a), (b), (f), (h) and (i). In some instances, possible uses under sec. 104 (d) are also included in this category. Therefore, estimates based on the best information now available are indicated above under subsecs. (a), (b), (h) and (i). Balances not otherwise distributed are included under subsec. (f). This distribution is subject to revision when allocations have been completed.

C. STATUS OF LOCAL CURRENCY ACCOUNTS

As the commodities are sold under the title I program the foreign currency is deposited to the account of the United States disbursing officer in the embassy who reports monthly on these accounts to the Department of the Treasury. The Department of the Treasury establishes and administers regulations governing the custody, deposit, and sale of the currencies.

Agencies desiring to use foreign currencies apply to the Bureau of the Budget for an allocation of funds. An allocation does not constitute a transfer of funds and may be made prior to the actual deposit of foreign currency. An allocation merely means that funds, which will become available, are designated for a particular project and for a particular agency. Each agency must make an application for allocation and these applications are reviewed by the Bureau of the Budget in the light of discussion of possible currency uses held at the time of negotiation of the sales agreement, analysis of the requesting agency's program requirements in relation to available appropriated funds, and other possible competing uses for currency.

Agencies cannot incur actual obligations against allocations but must await an apportionment of currencies by the Bureau of the Budget. The apportionment process is used by the Bureau of the Budget to permit some programs to go forward before receipt of total sales proceeds, to insure that total obligations for all programs do not exceed cash availabilities, and to permit further program review in the event of any changes in circumstances since the time of allocation.

The following schedule furnishes information by country concerning the dollar equivalent value of commodities under agreement, collections of foreign currency, foreign currency transferred to the agency accounts and balances held by the disbursing officers in the foreign countries, the amounts expended by the agencies, and the balance on hand in the agency accounts. The information set forth in this schedule is accumulative from the inception of the program through September 30, 1957, which is the latest compilation of data supplied by the various disbursing offices operating abroad.

Status of local currencies collected under title I, Public Law 480 agreements, funds transferred to agency accounts, funds disbursed by agencies and balances in Treasury accounts and agency accounts, cumulative beginning fiscal year 1955 through Sept. 30, 1957

[Stated in equivalent United States dollar value]

Country	Dollar value of commodity under agreements	Collections from surplus commodity sales	Collections transferred to agency accounts	Balance of currency Treasury accounts	Disbursements by agencies	Adjustments for rate differences	Balance in agency accounts
Argentina	$31,100,000	$29,330,631.57	$6,781,520.83	$22,549,110.74	$4,468,094.42	−$1,604,574.75	$708,851.66
Austria	42,900,000	24,978,222.74	6,044,356.41	18,933,866.33	5,887,605.49	+5,787.62	162,538.54
Bolivia	6,750,000						
Brazil	179,920,000	62,375,061.95	39,344,722.55	23,030,339.40	35,564,129.91	−1,936,794.87	1,843,797.77
Burma	22,700,000	20,512,634.27	1,328,931.83	19,183,702.44	771,826.40	+10,615.71	567,721.14
Chile	39,600,000	35,991,831.77	6,056,028.87	29,935,802.90	5,277,992.23	−421,885.64	356,151.00
China	9,800,000	9,316,500.15	3,914,447.14	5,402,053.01	3,072,363.53	−604,412.12	237,671.49
Colombia	30,040,000	16,970,809.63	4,012,835.03	12,957,974.60	1,634,150.24	−1,973,893.35	404,791.44
Ecuador	8,100,000	4,899,142.94	3,224,474.94	1,674,668.00	2,819,503.23	−94,775.09	310,196.62
Egypt	19,800,000	19,166,499.90	4,245,582.09	14,920,917.81	2,724,787.17	−8,533.39	1,512,261.53
Finland	27,595,000	24,469,162.44	2,802,073.91	21,667,088.53	983,971.74	−376,254.90	1,441,847.27
France	2,050,000	2,049,986.28	838,858.75	1,211,127.53	451,803.24	−9,809.76	377,245.75
Germany [1]	1,200,000	1,196,558.83	1,059,523.81	137,035.02	87,989.95	−344.92	971,188.94
Greece	46,200,000	45,391,779.14	20,494,817.29	24,896,961.85	17,017,643.22	+32,091.92	3,509,265.99
Iceland	2,785,000	521,916.12	120,030.37	401,885.75	120,030.37		
India	360,100,000	198,254,617.96	12,544,634.49	183,709,983.47	6,060,848.06	+47,819.86	6,531,606.29
Indonesia	96,700,000	81,060,857.24	1,928,252.93	79,132,604.32	691,435.08	−45,330.35	1,191,487.50
Iran	12,400,000	11,016,083.41	4,851,751.94	6,164,331.47	4,883,671.34	+31,919.40	
Israel	51,640,000	51,637,034.98	37,363,610.66	14,273,424.31	30,821,046.96	+.01	6,542,563.71
Italy [2]	127,900,000	105,230,628.04	16,644,342.77	88,586,285.27	7,773,227.41	−329.25	8,870,786.11
Japan	150,800,000	144,200,886.26	130,649,406.71	13,551,479.55	110,919,072.66	+.05	19,730,334.10
Korea	82,030,000	73,754,866.46	36,648,845.38	37,106,021.08	36,625,599.76		23,245.62
Netherlands	275,000	241,468.80	35,746.05	205,722.75	7,751.81	−1,262.38	26,731.86
Pakistan	120,700,000	109,472,557.17	21,050,725.36	88,421,831.81	10,816,082.29	−80,802.12	10,153,840.95
Paraguay	3,000,000	2,693,720.73	2,447,408.86	246,311.87	2,225,424.01	−85,380.71	136,604.14
Peru	17,430,000	10,101,995.80	7,402,928.53	2,699,067.27	7,363,499.49	+252.29	39,681.33
Philippines	10,300,000						
Poland	65,000,000	11,902,710.53	1,601,692.57	11,902,710.53	1,543,485.49	+18,149.96	76,357.04
Portugal	7,100,000	7,095,030.15	30,677,026.61	5,493,337.58	20,897,920.87	−1,727,455.20	8,051,650.54
Spain	186,322,000	174,833,375.27	978,327.86	144,156,348.66	986,940.45	+56,783.77	48,171.18
Thailand	4,600,000	3,798,257.29	44,640,319.42	2,819,929.43	13,709,807.92	−30,802,275.13	128,236.37
Turkey	113,000,000	96,875,803.62	11,660,379.61	52,235,484.20	11,688,240.86	+27,861.25	
United Kingdom	35,400,000	33,413,952.72	563,000.00	21,753,573.11	233,927.32	−281,500.00	47,572.68
Yugoslavia	221,460,000	218,656,603.16		218,093,603.16			
Total	2,136,497,000	1,620,411,187.32	461,956,603.57	1,167,454,583.75	348,129,872.92	−39,824,332.09	74,002,398.56

[1] German marks equivalent to $47,619.04 transferred for Belgium francs.

[2] Italian lire equivalent to $150,000 transferred for Swiss francs.

The following schedule shows the amounts of foreign currencies (in United States dollar equivalent) to be generated by sales agreements entered into as of September 30, 1957, which have been programed under section 104 of Public Law 480 with a breakdown of those currencies available to agencies without reimbursement to the Department of the Treasury and those currencies available for sale by Treasury to dollar appropriations. The schedule also reflects the amounts disbursed by the agencies for the various programs under section 104 as of September 30, 1957.

Programs specified by sales agreements and amounts disbursed for programs cumulative from July 1, 1954, through Sept. 30, 1957

[Stated in equivalent United States dollar value]

Programs	Dollar value of commodities under agreement	Amounts disbursed by agencies
Currencies available to agencies (without reimbursement to Treasury):		
104 (a) Agricultural market development	$25, 358, 170. 76	$3, 528, 561. 18
104 (b) Purchase of strategic material	7, 156, 212. 54	----------
104 (c) Military procurement	243, 608, 925. 37	33, 110, 843. 72
104 (d) Purchase of goods for other countries	39, 033, 604. 17	4, 882, 424. 19
104 (e) Grants for multilateral trade and economic development	61, 470, 000. 00	7, 441, 860. 48
104 (f) Payment of United States obligations:		
1. Congressional travel	52, 000. 00	27, 596. 37
2. Military housing	102, 340, 500. 00	19, 019, 852. 50
104 (g) Loans for multilateral trade and economic development	1, 171, 731, 200. 00	183, 236, 470. 33
104 (h) International educational exchange	14, 096, 000. 00	639, 064. 38
104 (i) Translations and publications	125, 000. 00	----------
104 (j) Information and education	9, 021, 550. 00	----------
Total	1, 673, 993, 162. 84	251, 886, 673. 15
Currencies available for sale by Treasury to dollar appropriations:		
104 (d) Purchase of goods for other countries	8, 014, 895. 83	5, 737, 738. 41
104 (f) Payment of United States obligations	454, 488, 941. 33	90, 505, 461. 36
Total	462, 503, 837. 16	96, 243, 199. 77
Grand total	2, 136, 497, 000. 00	348, 129, 872. 92

The schedule below shows the breakdown of foreign currencies disbursed as of September 30, 1957, by the various Government agencies having a responsibility for programs under title I of Public Law 480. The amount shown for the Department of the Treasury represents for the most part foreign currencies sold to other agencies for appropriated dollars.

Currencies to be made available to agencies and funds disbursed as of Sept. 30, 1957

[Stated in United States dollar equivalent]

	Dollar value of commodities under agreement	Amounts disbursed by agencies
Department of Agriculture	$25, 358, 170. 76	$3, 528, 561. 18
Department of Defense	345, 949, 425. 37	52, 130, 696. 22
General Services Administration	7, 156, 212. 54	----------
International Cooperation Administration	1, 272, 234, 804. 17	195, 560, 755. 00
Department of State	14, 148, 000. 00	666, 660. 75
Department of the Treasury	462, 503, 837. 16	96, 243, 199. 77
U. S. Information Agency and/or Department of State	9, 146, 550. 00	----------
Total	2, 136, 497, 000. 00	348, 129, 872. 92

D. SPECIFIC PROJECT USE OF FUNDS GENERATED THROUGH TITLE I SALES

A number of departments and agencies of the United States Government have primary responsibility for administering programs using local currencies generated through title I sales.

The praragraphs which follow report the accomplishments of the various departments and agencies with respect to the type of projects, their relative costs, and the benefits which the United States expects to derive from its participation.

The material used in this section of the report is based upon an analysis of material and data furnished by the interested departments and agencies. The departments and agencies advised that although sales of surplus agricultural commodities have been in progress over a period of 3½ years, specific programs and project use of currency were late in getting started and are just now beginning to show some results. The necessity of completing negotiations with foreign governments in regard to the specific projects has contributed to this delay. The delay is evident by the large accumulation of local currency deposits in foreign countries and the relatively small disbursement of funds for project use.

It is to be noted that in discussing the project expenditures, amounts referred to in the text are United States dollar equivalent in local currency unless otherwise specified.

1. Section 104 (a), Public Law 480—Agricultural market development

This section provides that a portion of the foreign currencies generated by surplus commodity sales under title I of the act may be used, "To help develop new markets for United States agricultural commodities on a mutually benefiting basis." The Foreign Agricultural Service (FAS) has primary responsibility within the USDA for carrying out this provision of the law.

Sales agreements signed from the beginning of the program through December 31, 1957, include provisions for the use of a total of $38.9 million (1.7 percent of total planned use funds) in the area of agricultural market development.

A market development project may be initiated by a trade group, a private research organization, an institution such as a land-grant college, an international organization, or by the USDA. According to the USDA, primary emphasis is given market development projects to be implemented through private United States trade groups since these groups are most directly concerned with and generally best equipped to carry out such activities.

Among types of market development activities that are being carried out by USDA are international trade fairs, surveys, promotion of better nutrition, demonstrations, exchange of trade personnel, commodity or product promotion, including advertising and other market development techniques designed to expand export markets for United States agricultural commodities.

Among factors said to be considered by the USDA in evaluating a proposed market development project are possibilities of the proj-

ect's success in terms of its contribution to increased United States exports, its long-range effect on total United States agricultural exports, the extent to which the United States trade group represents the commodity interest concerned, the extent to which the project is in harmony with United Staes foreign trade policy and international obligations, the importance of the commodity or commodities to United States agriculture, and the proposed financing of the project, including a substantial contribution by trade groups.

The USDA provides the guidance and foreign currencies accruing under Public Law 480. The cooperating United States groups contribute dollars and carry out the projects directly or through foreign-trade groups. The latter contribute financially and provide local services.

The FAS definitions of "new markets" and "agricultural commodities" and the FAS "policy considerations" which appear in FAS Memorandum No. 7, revised June 25, 1957, follow:

B. Definitions:

1. New markets: The phrase, "develop new markets," is defined to include the retention or expansion of an existing foreign market for United States agricultural commodities as well as development of an entirely new market. Market development for a particular United States agricultural commodity may be either for that United States commodity directly or for the commodity from all sources when it may be expected that United States exports of the commodity will benefit thereby.

2. Agricultural commodities: Agricultural commodities are defined in the broad sense to include both raw and processed commodities that originate on United States farms. For example, oranges, both fresh and processed, are included. Agricultural commodities do not have to be in Government inventories or listed as in surplus in the United States to be eligible for section 104 (a) projects.

C. Policy considerations: A project will not be undertaken unless it is determined that the project gives promise of effective, proper, and efficient contribution to the promotion of commercial markets abroad for United States agricultural commodities. The basis for this determination will be set out in the justification section of the project statement. Where project opportunities are in excess of available funds, priority will be given to those projects and activities that offer the more favorable possibilities for developing new markets.

Proposed projects receive clearance and approval from interested divisions of the USDA and are also cleared with the appropriate attaché who ascertains whether there are any objections to the project from the standpoint of the foreign policy of the United States. The attaché includes in his evaluation report of a proposed project an opinion whether the project might be objected to by the government or trade groups of the host country. Upon final approval and necessary signatures by the USDA copies of the project agreement are distributed within the USDA, to the attaché, and other interested parties. The trade organization (project cooperator) is then sent formal notification to proceed with activation of the project. Periodic reports on the status of projects are made available by the USDA to interested United States trade groups.

This staff learned that a total of 163 projects (summarized below) have been put into operation by the USDA in 28 countries since the enactment of Public Law 480.

Schedule of 104 (a) projects by type and contributions beginning fiscal year 1955 through Dec. 31, 1957

Type of project	Total number	FAS contribution	Trade contribution	Total amounts	Percent
Cooperative projects	92	$6,301,252	$2,799,907	$9,101,159	77
FAS projects	17	212,038		212,038	2
Trade fair projects	29	2,194,072		2,194,072	18
General operating expense projects	25	403,860		403,860	3
Total	163	9,111,222	2,799,907	11,911,129	100

The above projects were described generally by the FAS to this staff as follows:

Cooperative projects.—This type of project provides for foreign market development surveys and promotion to be carried out under a formal agreement between FAS and a cooperating trade or agricultural group. Such agreements describe the work to be done, method of execution, and financing. Agreements are entered into with groups which are broadly representative of United States commodity and agricultural interests. A cooperative agreement will not be entered into without a substantial financial contribution by the cooperator. This type of agreement is entered into for work in one country or in several countries and such agreements have accounted for 77 percent of the total value of all section 104 (a) work through December 31, 1957.

FAS projects.—Market development activity under section 104 (a) is carried out as FAS projects in certain cases where representative trade and agricultural groups are either unwilling or unable to undertake projects. Such projects detail the work to be done, method of execution, and financing as in the case of cooperative projects. However, in this case there is no financial contribution by other parties and work is carried out either by FAS personnel or by a contractor. Such projects may cover one country or several countries and to date have accounted for two percent of the total value of section 104 (a) market development activity.

Trade fair projects.—Trade fair projects are provided for by Government financing only, under which FAS organizes and manages exhibits; rent space; arranges for design, construction, and operation of exhibits; and provides for transportation of exhibit material and travel expenses and per diem of industrial technicians and commodity specialists participating in the trade fair. Trade groups, however, are encouraged to participate in fairs to the maximum extent possible and provide exhibit ideas, technical personnel, display materials and, in some cases, commodities for use as samples. Such trade group participation is covered both by contracts and informal understandings. In this way there are substantial financial contributions by participating groups which are not reflected in the project values indicated in the preceding schedule. This type of activity is carried out both as independent FAS trade fair exhibits and joint FAS-Department of Commerce exhibits. The total trade fair attendance of overseas trade fairs in which USDA participated through December 31, 1957, was 17,160,506 visitors of whom 11,562,326, or 67 percent, attended the USDA exhibits. Trade fairs have accounted for 18 percent of the total value of section 104 (a) market development work to date.

General operating expense projects.—When section 104 (a) market development projects are undertaken in a country, additional funds are necessary in that country to support such activity. For this purpose, a general operating expense project is set up for the country concerned and funds are allocated to the agricultural attaché from time to time to meet needs. General operating expense items include employment of local personnel necessary to assist the attaché in exercising FAS supervisory responsibilities, reimbursement to the embassy for services performed such as those of the disbursing officer and the certifying officer, and other supporting costs. As of December 31, 1957, projects of this type had been undertaken in 25 countries. This category accounted for 3 percent of the total program cost through December 31, 1957.

A detailed schedule of the market development activities follows:

Summary of sec. 104 (a) market development activity projects, showing commodity groups, trade groups, and contributions [1] from July 1955 through Dec. 31, 1957

Cooperative projects by commodity groups and cooperators (trade groups)	FAS contribution	United States and foreign trade contribution	Total amounts
Livestock and meat:			
National Renderers' Association	$177,448	$36,246	$213,694
Servicio (Peru)	13,495	1,911	15,406
Peruvian National College of Agriculture	5,997	6,530	12,527
American Meat Institute	50,000	10,000	60,000
National Hide Association, National Independent Meat Packers' Association and Western States Meat Packers' Association	8,511	1,000	9,511
Fats and oils:			
American Soybean Association	377,465	45,025	422,490
Soybean Council of America	105,080	79,524	184,604
Fruits and vegetables:			
California Raisin Advisory Board	25,000	1,250	26,250
California Prune Advisory Board	25,000	40,000	65,000
Florida Citrus Commission	25,000	44,820	69,820
Cling Peach Advisory Board	1,626	3,600	5,226
Grain and feeds:			
Oregon Wheat Growers' League	792,051	176,989	969,040
Millers' National Federation	76,678	7,500	84,178
Department of Agriculture, Nebraska	23,485	14,700	38,185
Michigan State University	43,161	7,350	50,511
Western Bean Dealers	5,598	5,000	10,598
Oregon Wheat Growers' League and Millers' National Federation	119,258	7,500	126,758
Nebraska Wheat Growers' Association	38,037	17,500	55,537
United States Rice Export Development Association, Inc	16,246	1,500	17,746
Nebraska Wheat Growers' Association and Millers' National Federation	127,549	7,000	134,549
Cotton: National Cotton Council and Cotton Council International	2,388,014	1,904,480	4,292,494
Dairy and poultry:			
Institute of American Poultry Industries	351,965	18,495	370,460
Dairy Society, International	417,653	50,860	468,513
Holstein-Friesian Association of America	6,321	9,000	15,321
Peruvian National College of Agriculture	5,997	6,530	12,527
Servicio (Ecuador)	8,572	7,000	15,572
Escritorio Technico de Agricultura	8,642	8,460	17,102
Purebred Dairy Cattle Association	885	2,500	3,385
Brown Swiss Cattle Breeder's Association	670	1,500	2,170
Tobacco: Leaf Tobacco Exporters' Association, Inc., Tobacco Associates, Inc., and Burley Export Association, Inc	1,055,854	276,137	1,331,991
FAS projects	212,038		212,038
Trade fairs projects [2]	2,194,072		2,194,072
General operating expense projects	403,860		403,860
Total	9,111,222	2,799,907	11,911,129

[1] Based upon operating records subject to adjustment upon final accounting. Foreign currencies included have been converted to dollars at appropriate exchange rates, generally U. S. Treasury selling rates, at the time obligations or authorizations made.

[2] Does not include trade group contributions to trade fair activities made subsequent to trade fair projects being approved.

The FAS described to this staff the following as market development accomplishments and activities in the seven commodity groups:

Livestock and meat.—Markets for United States breeding cattle and meat industry byproducts are being developed in foreign lands. Visits to Japan by United States tallow representatives removed difficult trading problems and increased exports. A followup advertising campaign is helping to sell more soap products made from American tallow.

Several substantial sales of United States breeding cattle to Latin American buyers have resulted from introduction of United States animals to that region.

Fats and oils.—Market development surveys and promotion of soybeans and products have been undertaken by two United States trade associations. In Japan, increased consumption of both soybean food products and oil is the goal of advertising, trade fair exhibits, and research. Much has been done to improve the quality and acceptability of soybeans arriving in Japan. Projects in Italy and Spain promote United States soybean oil and meal.

Soybeans have rapidly become an important crop and export commodity for the United States. They provide an unusually valuable source of protein for man and animal. Foreign market development is contributing to United States ability to market its soybean production in protein-deficient countries abroad.

Fruits and vegetables.—Market surveys and promotional advertising have been undertaken in Europe, especially in West Germany, by four United States fruit trade groups in cooperation with the USDA. Newspaper advertising together with consumer buying research has promoted California prunes in West Germany. Raisins are being advertised similarly. A survey in Europe shows considerable opportunity for sales of cling peaches.

As economic conditions improve, opportunities arise to sell American fruit abroad. To help United States exporters seize such opportunities, the USDA and the fruit trade are distributing a 48-page booklet, printed in color to fruit importing countries. The booklet describes and illustrates available fresh, dried, and canned fruits, as well as tree nuts.

Grains and feed.—The USDA and six United States trade associations are developing export markets for wheat, wheat flour, rice, and edible dry beans.

In Japan, nationwide campaigns are teaching housewives, schoolchildren, nutritionists, and bakers about wheat products. Per capita wheat consumption in Japan is rising. Such activities are being extended to southeast Asia and India. Visits to United States midcontinent wheat areas by Italian and Greek millers and buying officials are being made to create a better understanding of the uses of hard red winter wheat.

In Colombia, local bakery and paste industries groups are cooperating with United States flour trade groups in promoting greater use of wheat flour.

Representatives of United States rice and dry edible beans trades are establishing trade contacts and surveying markets in Latin America.

Cotton.—Under cooperative agreements between the USDA and the Cotton Council International, promotional activities in nine countries are helping to increase consumer use of cotton. Local organizations in these countries work actively with the Council and pay half of the costs. Emphasis has been placed on fashion appeal, durability, launderability, freshness, colorfastness, and other characteristics of cotton fabrics. Methods used have included advertising campaigns, publicity, merchandising training, public appearances by the girl selected as the annual U. S. Maid of Cotton, fashion shows, and other means.

Concurrently, American technologists are working with foreign spinners to show them how to adapt equipment and methods to take advantage of the desirable spinning quality of United States cotton.

These programs not only are helping cotton to hold its own in the face of increasing competition from manmade fibers, but also are expanding the total world demand for this natural fiber.

Dairy and poultry.—Dairy products and dairy cattle have been featured in international trade fairs and in market development projects carried out by three dairy trade groups cooperating with the USDA.

In Thailand, nutritional education and the distribution of samples of recombined milk products among schoolchildren and Government workers have helped to develop a market for United States dry-milk powder and anhydrous butterfat. Sanitation education and nutrition training in Colombia are encouraging consumer acceptance of dairy products.

United States herd associations and the USDA are acquainting Latin American buyers with the merits of our breeding cattle.

Market surveys in Europe and South America by United States trade associations point to opportunities for increasing foreign consumption of our table eggs, hatching eggs, chicks and frozen eviscerated poultry.

In West Germany, promotional effort is acquainting importers, shopkeepers, and housewives with this country's ready-to-cook poultry.

Through sampling, visitors to international trade fairs have become acquainted with fresh roasted United States chicken and turkey. United States hatching eggs have been featured in displays.

Tobacco.—Three United States tobacco trade groups are cooperating with the USDA to promote sales of tobacco to Asia and Europe. Key officials of the tobacco trade from Finland, Austria, France, Thailand, Japan, and Korea have been brought to the United States to study American processing and marketing methods. Market analysis studies have been undertaken in Spain, Italy, and Pakistan. Promotional advertising in Japan has increased consumption of tobacco products containing United States leaf.

The several types of market development projects undertaken for tobacco are helping to acquaint foreign buyers with the merits of American leaf.

2. Section 104 (b)—Purchase of strategic materials

Responsibility for the purchase of strategic and critical materials under section 104 (b) is delegated to the Office of Defense Mobilization (ODM). Local currencies have been earmarked by the Interagency Staff Committee on Surplus Agricultural Commodities (ISC)

to ODM on a nonreimbursable basis for purchase of materials for a supplemental stockpile. However, no actual purchases have been made and there are no current plans for such purchases. An official of ODM advised that generally Public Law 480 funds are available in countries in poor economic condition. These countries may have materials which we need for our strategic stockpile, but they are usually unwilling to sell such strategically important materials for local currency when they could sell these same materials for hard currency. On the other hand, some of these countries have materials which are included in our stockpile which they are willing to sell for local currency. However, the quality of the material is generally poor and of a type which the United States has in adequate supply.

Factors relating to the United States Public Law 480 agreement with India illustrate this point. There is a clause in the agreement with India which permits the purchase of strategic materials with Public Law 480 funds. None of these funds have been earmarked for this purpose. The United States Government is currently using dollars to purchase high-grade mica from India for our stockpile. India is unwilling to sell this high-grade mica for local currency but is willing to sell a low-grade mica for local currency. However, we have no need for this low-grade mica.

The case of Italy illustrates still another example of the problems encountered in purchasing material for our stockpile with Public Law 480 funds. The staff was advised that funds had been earmarked in Italy for the purchase of acid grade fluorspar. Fluorspar became available in Italy, at least in part, because the Economic Cooperation Administration has assisted Italy in expanding its fluorspar production capacity. Stockpile inventories in the United States for acid-grade fluorspar are currently filled and there is pressure from local suppliers to make purchases of fluorspar in the United States. As a result, there is little likelihood of purchase of this material in Italy with Public Law 480 funds.

A number of factors have contributed to the inactivity in this phase of the Public Law 480 program. The fact that there is no provision for reimbursement by ODM to CCC has created a reluctance on the part of the USDA to agree to the use of funds for this purpose. Available local currency is generally needed for more immediate and essential purposes. In some countries, it is the determination of the Department of State and the ICA that sales of this type would have an adverse effect on the economy of the country involved.

Some countries having Public Law 480 currency are located so near to the Iron Curtain that no purchases of strategic materials are made to avoid having such transactions considered as unfriendly acts. Purchase of strategic materials through the use of Public Law 480 funds might involve the payment of a premium price for the strategic material involved since these Public Law 480 commodities are sold at an accepted foreign government rate which is frequently below the world market. This generates a fear that such premium payments would result in diversion of materials from normal channels. In addition, the staff was advised by an official of ODM that barter procedures for the purchase of stockpile materials are generally preferred as such procedures result in the movement of more agricultural products.

From the inception of the program, through December 31, 1957, a total of $7.2 million has been earmarked by ISC for the purchase of strategic materials; however, $5.2 million of this amount is being made available for other United States uses. Currently, $2 million is earmarked for purchase of strategic materials from Indonesia. However, ODM is not planning to make any purchases under the act and it is anticipated that the money earmarked for Indonesia will also be made available for other United States uses. The staff was advised that ODM would consider making purchases under this section only as an expedient to further United States foreign policy or to salvage funds which would otherwise be lost in the United States.

3. Section 104 (c)—Military procurement

The Department of Defense (DOD) has been delegated responsibility for procurement of military equipment, materials, facilities and services for the common defense under section 104 (c). Funds are provided on a nonreimbursable basis. From the inception of the Public Law 480 program through December 31, 1957, $249.48 million, or 11 percent, of the funds to be generated through Public Law 480 agreements has been earmarked by ISC for the purposes covered under this section.

Administrative responsibility for this program has been, in part, delegated by DOD to the ICA. DOD plans to administer directly $66.18 million and it plans to reallocate to ICA $183.3 million. Though administration of funds is handled separately by DOD and ICA, most programs utilizing these funds require concurrence of both agencies.

DOD utilizes funds for such projects as airfields, oil lines, and construction of port facilities. Direct support of a foreign country's defense budget is provided through ICA. The amount of this defense support is based upon the United States Government estimate of the defense needs of a particular country. Public Law 480 funds are used to assist the local country in achieving the level of defense believed desirable by the United States.

Of the $249.48 million earmarked to DOD from the inception of the program, $177.3 million has been allocated as outlined in the following table:

[In millions of dollars]

Countries	Through December 1957	
	Earmarked	Allocated
Bolivia	0.02	
Brazil	2.0	2.0
Chile	.1	.1
Colombia	.06	
Iran	5.9	5.9
Korea	66.1	48.9
Pakistan	79.3	57.7
Peru	.1	.1
Philippines	2.1	
Taiwan	4.9	4.9
Yugoslavia	88.9	57.7
Total	249.48	177.3

As this table indicates, the bulk of the funds provided for under this section will be used in Korea, Pakistan, and Yugoslavia. The projects are as follows:

Bolivia: $20,000 is planned for supplemental financing of the inter-American geodetic survey projects.

Brazil: $2 million has been earmarked. No specific projects have been determined.

Chile: Approximately $100,000 in Chilean pesos have been allocated and apportioned as a grant to be used to help finance inter-American geodetic survey mapping projects in Chile.

Colombia: $60,000 will be used to help finance the inter-American geodetic survey mapping projects.

Iran: Of the $5.9 million allocated to DOD, $2.5 million has been reallocated to ICA to be administered as a grant to the Iranian Government for procurement of a specified list of military items, including food and other items.

Korea: Of the $48.9 million allocated to DOD, $48.8 million has been reallocated by Defense to ICA to provide a defense support grant to the Korean Government.

Pakistan: Approximately $27.0 million of the $57.7 million allocated is being used for procurement relating to base construction in fiscal years 1956, 1957, and 1958 by the United States Army engineers, and $17.6 million has been suballocated to ICA for transfer to the Pakistan Government to meet defense support requirements. It is expected that the balance of $13.1 million will be used by DOD in the fiscal year 1959 construction program.

Peru: Approximately $100,000 in Peruvian soles have been allocated to DOD as a grant to be used to help finance inter-American geodetic survey mapping projects in Peru.

Philippines: $2.1 million has been earmarked but no specific projects have been determined.

Taiwan: The total of $4.9 million equivalent in Taiwan dollars has been allocated directly to ICA for defense support. These funds are to be used on various projects including petroleum pipelines, drydock pier, construction of ammunition depot and powder plant, and Naval medical research unit.

Yugoslavia: The total amount allocated to date, $57.7 million equivalent, will be granted by ICA to the Yugoslavian Government as defense support funds for the purpose of reconstructing the Adriatic Highway (known as Jadranski Put).

In regard to the military-support items, this staff learned that in order to provide safeguards to insure that United States Government interests are protected in the utilization of these funds, the Military Assistance Advisory Group assumes responsibility for determining that the moneys are spent for the items for which they are intended, ICA assumes responsibility for postaudit and fiscal accounting.

4. Section 104 (d)—Purchase of goods for other countries

The ICA has been delegated the responsibility for the purchase of goods for other countries under section 104 (d). From the inception of this program through December 31, 1957, $42.8 million or approximately 2 percent of the funds provided for in Public Law 480 sales agreements have been earmarked for this purpose. In some cases,

such as Austria, France, Italy, and Japan, specific amounts are called for in the agreements. In other cases, as for example, Finland and India, language is used to permit use under this section but no specific amount is set forth.

Through December 31, 1957, ICA had developed plans for using $29.6 million in Public Law 480 funds. ICA advised the staff that programs for the use of the balance of the funds earmarked for this purpose are being negotiated. The following table sets forth the countries in which the Public Law 480 funds are available and the countries for which purchases were programed.

Sec. 104 (d) program as of Dec. 31, 1957

[Million dollars equivalent]

Sales proceeds:		Purchases programed:	
Austria	$3.1	Burma	$5.0
France	.8	Ceylon	1.8
Finland	13.0	India	1.4
India	5.0	Indonesia	1.7
Italy	10.0	Israel	5.0
Japan	10.9	Korea	2.5
		Pakistan	1.4
Total	42.8	Ryukyu Islands	3.3
		Spain	3.1
		Taiwan	1.2
		Thailand	1.4
		Vietnam	1.8
		Total	29.6

Sales proceeds in the above table are carried at the deposit rate called for in the sales agreement. The program figures reflect current rate of exchange for exports. This fact results in a drop in value of the program column of $3.4 million based on sales-proceeds figures. The program value based on sales proceeds figures would be $33 million rather than $29.6 million as set out above.

The staff learned that it is not ICA policy to make advance commitments either to use these funds for the purchase of a specific commodity or to make such purchase from a specific country. ICA advised that standards for transactions conform as closely as possible to commercial practices. These standards are designed to avoid undue disruption of normal trade patterns and to assure that purchases are made at competitive prices.

The example of Austria illustrates the type of activity engaged in under this section. Public Law 480 currencies in the amount of $3.1 million have been earmarked for purchases under this section. Of this amount, $2 million has been programed for the purchase of fertilizer for use in Spain. The balance of $1.1 million has been programed for the purchase of steel rails also to be used in Spain. Since devaluation has not affected these figures, sales agreement, and current exchange rate values are the same.

In the case of Finland, $13 million has been earmarked for purchases under this section. There has been a loss of exchange value of $3.4 million. The balance, $9.6 million, has been programed. One million dollars has been provided to purchase paper for Korea and the rest, $8.6 million, is programed to finance the purchase of ships for Ceylon, India, Indonesia, Pakistan, and Thailand.

5. Section 104 (e)—Grants for multilateral trade and economic development

Administrative handling of grants for multilateral trade and economic development has been delegated by executive order to the ICA. Funds for such purposes are made available on a nonreimbursable basis under section 104 (e).

Through December 31, 1957, $61.5 million has been earmarked for this program: $7.5 million for Greece and $54 million for India.

In Greece the funds earmarked for this purpose have been used to assist the Greek Government in repairing earthquake damage, principally that related to the earthquake of April 1955. Damage involved 94 communities. There were 7,618 buildings completely destroyed and 16,277 partially destroyed. Total disbursements on this project have been nearly $7.5 million.

Although $54 million of Public Law 480 funds have been earmarked for purposes under this section to India, no actual program has been worked out and none of the funds have been utilized.

6. Section 104 (e)—Loans to private enterprise

Public Law 128, 85th Congress(the Cooley amendment), approved August 13, 1957, amended section 104 (e) of Public Law 480 to provide that up to 25 percent of foreign currencies generated under each title I agreement shall be made available for loans to private business firms through the Export-Import Bank of Washington (the bank).

Since passage of the Cooley amendment, sales agreements have been signed to generate $35.7 million in foreign currency for loans to private enterprise. The countries and amounts involved are France, $0.6 million; Greece, $2.9 million; Israel, $8.7 million; Mexico, $7.1 million, and Pakistan, $16.4 million. Twenty-five percent of the sales proceeds under the agreements with France, Israel, Mexico, and Pakistan and 15 percent of the sales proceeds under the agreement with Greece will be made available for section 104 (e) loans.

Under the Cooley amendment, the generated funds may be loaned (1) to United States firms or their branches, subsidiaries, or affiliates for business development and trade expansion in the foreign country, or (2) to either United States firms or firms of the foreign country for expanding markets for and consumption of United States agricultural products abroad.

The act requires that the loans be mutually agreeable to the bank and the interested foreign government. The act prohibits loans for the manufacture of products to be exported to the United States in competition with products produced in the United States, or for the manufacture or production of commodities—

to be marketed in competition with United States agricultural commodities or the products thereof.

Inquiry by this staff at the Export-Import Bank of Washington revealed that the currencies available for lending are known when the commodity sales agreements under which the funds arise are announced by the USDA. The bank will accept applications for loans at the time of announcements by the USDA that it has made commodity sales agreements. Since the Cooley amendment was passed approximately 275 inquiries concerning various aspects of these loans have been received. The applications for loans are accepted at the

bank or the United States Embassy in the foreign country. The loans will be made and will be repayable in the foreign currency. They will be made for any purpose believed by the bank to be consistent with the general objective of the legislation, which is to encourage the export of United States agricultural commodities.

An official of the bank stated it contemplates making loans to foreign-country firms only when the loans will definitely have a bearing on the increased use of United States agricultural commodities. American firms abroad will be considered for loans first on the basis of those which will result in an increased usage of United States agricultural commodities, and thereafter, provided funds are available, on other bases.

The maturities will correspond to those used in the bank's dollar loans to private borrowers. In other words, the bank will consider the loans as private-industry type loans and not as Government long-term type loans. The loans are expected to be for periods of approximately 7, 8, 9, or 10 years, depending upon the loan agreement reached and the interest rates to be similar to those charged for comparable loans in the foreign country.

Funds will not accrue to the bank for the purpose of section 104 (e) loans until payment is received or the transaction authorized by the commodity sales agreement and the bank will not authorize loans until it is in the receipt of such funds. The bank will not enter any loan agreement without the consent and approval of the foreign government of the country where the borrower is located. It has not reached the point of asking the Bureau of the Budget for a release of funds.

The bank does not intend to accept mortgages for these loans, as it believes there will be problems of foreclosures and disposal of the property in the foreign country should the borrower default. The bank feels that if it accepted mortgages there may be possible political connotations inferred should the American Government, in effect, have to foreclose on property located in a foreign country. Therefore, it expects to make section 104 (e) loans on the basis of an examination of applicants' financial condition and the economic conditions of the country involved in order to select applicants who appear to be the most sound. In the event there is any default on the part of a borrower, the bank contemplates enlisting the aid of the foreign bank being used as an agency bank.

The bank also intends to rely on the United States embassies or missions in foreign countries for information concerning prospective borrowers. To date the bank has been using its regular staff for Cooley amendment work and therefore has not hired additional personnel for administrative purposes; however, it expects that in the future it will have to hire personnel to assist in the administration of this act, especially in the foreign countries. An official of the bank said it has been suggested to the Bureau of the Budget, which has concurred, that provisions be made in the Appropriation Act for the bank to use some of the generated funds for its administrative purposes in the foreign countries involved. The official said the bank feels that this will be more desirable than paying for the administration of the act out of appropriated dollars.

During the year 1957 the bank issued explanatory statements (press releases) on October 30, 1957, Mexico; November 15, 1957, Israel; November 20, 1957, Pakistan; and December 24, 1957, Greece; in connection with commodity sales agreements concluded by the USDA with the named countries.

There have been no loans made by the bank as of January 16, 1958. All applications for loans under section 104 (e) as of January 16, 1958, have been from firms located in Mexico. The amount to become available for loans in Mexico are $7.1 million; however, the applications from Mexico total $23.1 million. The bank therefore believes it may have to make some of the loans on an allocation basis assuming applications in excess of $7.1 million are acceptable.

A summary of the applications received from Mexico follows:

Applications received by Export-Import Bank for loans to private enterprises in Mexico under sec. 104 (e) as of Jan. 16, 1958

Classification of applicant as to type of business	Number of applications	Amount requested in pesos	United States dollar equivalent [1]
Heavy industry and mining	9	126, 837, 500	$10, 155, 124
Light industry	4	16, 250, 000	1, 301, 041
Agricultural products	6	80, 700, 000	6, 461, 169
Trade	3	14, 750, 000	1, 180, 945
Power	2	50, 000, 000	4, 003, 202
Total	24	288, 537, 500	23, 101, 481

[1] 12.49 pesos to $1.

7. Section 104 (f)—Payment of United States obligations

The Department of the Treasury has responsibility for custody and sale of local currencies used for payment of United States obligations abroad. Reimbursement must be made by the agencies using these funds unless a waiver is granted. The act stipulates that a minimum of 10 percent of the proceeds of commodity sales be used in this manner. Through December 31, 1957, $573 million, or 25 percent of the funds to be generated by sales agreements made prior to that date, had been earmarked for this purpose. Not all of these funds will be used for the payment of United States obligations abroad. A number of agreements contain a combined total for several currency uses, and although these funds are earmarked under section 104 (f), they may be used for purposes under other sections of the act. Also in some countries funds available under this section are accumulating at a rate which is in excess of anticipated needs.

United States agencies requiring local currency for payment of obligations abroad purchase the local currency with appropriated dollars. Purchases are made from the United States Treasury through the disbursing officer in the embassy. The dollars derived from these sales are credited to the CCC. Through December 31, 1957, the Department of the Treasury had been authorized to sell $180 million in foreign currencies under this section. These funds could be used for any purpose for which appropriated dollars were available. As of November 30, 1957, a total of $116.6 million had been disbursed to CCC by the Department of the Treasury as a result of these sales.

Military housing.—A portion of the funds available under section 104 (f) has been earmarked to the DOD for military housing. Public Law 765, 83d Congress, Public Law 161 and Public Law 968, 84th Congress, authorized the use of us to $250 million in local currency

generated by title I, Public Law 480, sales or other transactions of CCC for construction, rent, or procurement of United States military family housing and related community facilities in foreign countries.

This legislation provides that CCC shall be reimbursed from appropriations available to the DOD for the payment of quarters allowances to the extent that the housing is occupied. Both the basic quarters allowances and the added station allowances, if any, are used in calculating the rate of payment.

Arrangements with CCC for repayment by the DOD are made on a worldwide basis. These arrangements provide that payment to CCC will continue to be made from quarters allowances on any homes built by Public Law 480 funds, and being used by the DOD, as long as there is any indebtedness on any homes so provide. This arrangement protects CCC against losses which might result from a shift of defense personnel.

The DOD deducts maintenance and operation costs from the quarters allowances and uses the difference to pay off its indebtedness to CCC. It is estimated that it will generally require 15 to 20 years to liquidate the indebtedness on any particular construction project.

The USDA finds certain features of this arrangement objectionable. In the first place, CCC's capital is tied up over a long period of time. In the second place, no interest payment is made by the DOD to CCC for the utilization of CCC funds. In the third place, since maintenance and operation costs are deducted from the amounts available from quarters allowances and these amounts are flexible, no definite schedule of repayment is possible.

The following table sets forth the tentative earmarking and allocation of local currency for military family housing:

[In millions of dollars]

Country	Through December 1957	
	Earmarked	Allocated
Austria	8.9	6.4
Finland	7.0	
Italy	13.0	7.7
Japan	24.8	17.0
Philippines	1.5	
Portugal	1.5	
Spain	16.0	14.6
United Kingdom	33.4	27.2
Total	106.1	72.9

In the United Kingdom a total of $15 million has been used to construct 1,500 houses which are completed and occupied. In addition, the DOD proposes to use $12.2 million to construct 960 housing units and 2 schools. It is contemplated that the balance of the amount earmarked ($6.2 million) for the United Kingdom will be used to build 307 housing units, 9 schools, and 3 chapels.

The staff was advised that in Italy the DOD is prepared to request bids for 619 houses and $7.7 million has been allocated for this purpose.

In Spain, the DOD has contracted for the use of 1,581 houses which are under construction in 3 separate locations for Air Force personnel. It is proposed to lease these quarters on completion, using 75 percent of foreign currency generated by sales under Public Law 480 and 25

percent United States dollars. Using this formula, the Air Force plans to make advance payments for 7-year leases on these housing units. It is estimated that this will require $6,386,964 in Public Law 480 funds. The DOD expects that maintenance and operation costs will average $27 a unit per month. The average quarters allowance is computed at $92.50. This will allow an estimated $65.50 a unit per month available for repayment to CCC.

Although no military housing is planned for Austria and Finland, the DOD does plan to use Public Law 480 funds available in those countries for the purchase of housing materials for construction in other foreign countries.

For example, the Austrian Government has agreed to the use of the $6.4 million in Public Law 480 funds allocated to provide materials for 500 houses to be built in Morocco. Negotiations are being carried on with the successful bidder on this project.

In Finland, agreement has been reached in principal for the use of approximately $4 million in Public Law 480 funds to provide materials for 330 homes to be constructed in Morocco.

Officials of the DOD advised that of the $72.9 million allocated to construct 5,600 housing units, 2,300 are completed and occupied, 1,500 in the United Kingdom and 800 in Japan.

8. Section 104 (g)—Loans for trade and economic development

Responsibility for handling funds for multilateral trade and economic development under section 104 (g) was placed by Executive order with the ICA. Funds for loans to foreign governments are provided to ICA under terms which require no reimbursement to the CCC. From the inception of the Public Law 480 program through the end of calendar year 1957, $1,252 billion, or more than 54 percent of the local currencies provided for in sales agreements, has been earmarked for such loans.

In the past foreign governments have been expected to use some of the funds made available under this section for relending to private investors. Such reloans for private investment and development are still being pressed in regard to local currencies generated under sales agreements made prior to fiscal year 1958. In fiscal year 1957 such agreements were reached with 16 countries (Austria, Bolivia, Brazil, Colombia, Ecuador, Greece, Iceland, India, Israel, Italy, Pakistan, Peru, Philippines, Spain, Turkey, Thailand).

At least $150 million of loan funds available to these countries, as a result of sales negotiated during fiscal year 1957, will be set aside for relending to private investors. The amounts reserved for this purpose are generally specified in the sales agreement but in some cases the foreign governments may agree to channel an unspecified amount into the private investment field.

Loans to private enterprise are now made as a separate part of title I, Public Law 480, under section 104 (e) and the portion of funds set aside for this purpose under section 104 (g) is expected to decline. In fiscal year 1957, 62 percent of the total proceeds of sales was earmarked for loans under section 104 (g). In the first 6 months of fiscal year 1958 only 40 percent was so earmarked.

Foreign governments must agree that funds reserved for loan to private enterprise shall be made available on a nondiscriminatory basis as to interest rate and loan conditions as between their citizens, United States citizens, and nationals of friendly countries. It is expected

that loans will be made on terms no less favorable than the usual terms of the local agencies and that these terms will be based on existing conditions in the money market of the foreign country and the policy of its monetary authorities. Loan procedures are established by lending agencies of the foreign governments. The United States operations mission and the United States diplomatic missions are in a position to advise American businessmen concerning these procedures. Loan funds will not become available to foreign governments for relending to private investors or other development projects until they have signed loan agreements with the United States.

Loan projects involving expenditures of approximately $463 million in foreign currency have been approved. Some of these projects include relending to private enterprise as will be done in Brazil, India, Italy, Israel, Japan and other countries. Approved projects in Latin America, Iceland, and other countries will provide local currency financing for projects whose foreign exchange costs are being financed by the International Bank for Reconstruction and Development, the Export-Import Bank, and ICA. Loan funds are also being used to supplement public expenditures for roads, ports, and storage facilities and other improvements. Loan projects approved through December 31, 1957, are shown in the following table:

Country	Million dollars equivalent	Description
Austria	$16.0	Industrial projects, including electric power, iron and steel, metal processing, textile industry, etc., $14.2; Tourism, $1.0; Regional development, $0.8.
Brazil	31.32	Agricultural silo facilities, $4.9; extension and rehabilitation of railways, $13.5; river navigation and port improvement, $2.7; metallurgical works, $3.6; cold storage meat plants, $0.9; electric energy production, $4.5.
	117.9	Expansion of hydroelectric and power production, railway construction, expansion of iron and steel production.
Chile	4.0	Highway improvement, $3.75; agricultural training center, $0.25.
Colombia	10.0	Revolving loan fund for various purposes, including livestock production, farm-to-market roads, and food storage facilities.
Ecuador	6.3	Agricultural credit system in tropical coastal area, $3.1; loans to agricultural producers, $2.0; industrial development, $1.0; highway improvement and maintenance, $0.2.
Greece	19.9	Extension and modernization: Road and bridges, $8.7; electrical grid, $3.3; workers low-cost housing, $1.9; small community works, including access roads, water installations and range control, $6.0.
Iceland	2.2	Hydroelectric plant.
India	55.0	Loans through Refinance Corporation of India to private industry.
Israel	36.8	Irrigation, well drilling, and agricultural development, $11.4; agricultural settlements (construction of farm buildings), $2.8; land preparation, $0.4; agricultural research station, $0.3; aforestation, $0.4; development of roads, $3.8; electric power construction, $6.6; loans to home buyers, $3.0; development of telephone services, $2.1; industrial expansion, $5.9.
Italy	30.0	Industrial development in southern Italy, $14.0; revolving loan fund—tourist facilities, $8.0; fund for creation of small-land owners, $8.0.
Japan	59.5	Electric power development, $50.7; irrigation, drainage, and reclamation, $8.4; productivity center, $0.4.
	49.35	Electric power development, $21.9; irrigation and land development, $12.7; land reclamation for industrial sites, $1.9; productivity center, $2.8; forest development, $2.8; industrial marketing and processing, $4.5; improvement of fishing port facilities, $1.9; silk center, $0.4; undetermined, $0.5.
Paraguay	2.2	Highway and bridge construction and improvement, $0.7; airport development, $0.2; sewerage system, $0.7; agricultural development (primarily coffee), $0.6.
Peru	9.8	Irrigation and land development, road construction; expansion of agricultural research station, and leather products production.
Portugal	3.4	Storage facilities for bananas and cereals.
Spain	9.0	Reforestation and watershed control, $5.1; small irrigation projects for noncitrus fruit and vegetable production, $2.6; soil conservation, $0.3; land consolidation, $1.0.
Total	462.67	

In regard to the above table, this tabulation includes already approved projects within current loan agreements. Projects tentatively approved prior to completion of loan agreements are not included. The amount listed is the maximum amount allowable under the agreement. The total value of the projects will be smaller if the amount available for loans is less than anticipated.

The staff was advised that to the extent possible negotiations for sales of surplus commodities and negotiations for loan agreements under section 104 (g) are carried on simultaneously.

Terms and conditions of sales are developed in cooperation with the National Advisory Council on International Monetary and Finance Problems. The loans are handled administratively for the United States by the Export-Import Bank, which acts as the agent for ICA. The loans are denominated in dollars, and provision is made for repayment in strategic materials, services, foreign currencies, or dollars. Loan terms provide repayment over a maximum 40-year period and semiannual payments of interest and principal begin respectively 3½ and 4 years after the first disbursement. If there is a default in payment the entire unpaid principal becomes due in dollars on demand by the Export-Import Bank.

Due to the increase in borrowing costs of the United States Government, the interest on these local currency loans was increased by 1 percent in September 1957. Loans made as a result of sales agreements negotiated after 1957 require an interest rate of 4 percent if repaid in dollars and 5 percent if repaid in local currency.

From the beginning of the program through December 31, 1957, loan agreements had been negotiated with 20 countries in the total amount of $796.7 million. Of this amount, 7 agreements, totaling $145 million, were negotiated in the last 6 months of calendar year 1957. More than 60 percent of local currency funds earmarked for loans under section 104 (g) has been covered by loan agreements. The loan agreements signed as of December 31, 1957, are shown in the following table:

Country:	*Million dollar equivalent*	Country—Continued	*Million dollar equivalent*
Austria	$16.0	Italy	30.0
Brazil	149.2	Japan	108.9
Burma	17.3	Mexico	13.6
Chile	31.7	Paraguay	2.2
Colombia	10.0	Peru	9.8
Ecuador	6.3	Portugal	3.4
Greece	26.5	Spain	10.5
Iceland	2.2	Thailand	1.0
India	234.1	Yugoslavia	82.7
Indonesia	2.0		
Israel	39.3	Total	796.7

In regard to the above table, loan agreements provide for establishment of lines of credit in local currency up to the amounts listed. These estimates are subject to adjustment when shipments are completed. Shortfalls in delivery of commodities and thus in the amounts of local currencies deposited may result in a decrease in the amounts which may become available for loans. The dollar-equivalent value used in this table is based upon deposit rates agreed upon in the sales agreements.

9. Section 104 (h)—International educational exchange

Responsibility for section 104 (h) has been placed with the International Educational Exchange Service (IES) of the Department of State. Funds are provided on a nonreimbursable basis in support of educational exchange activities involving professors, teachers, students, and specialists. This program is used to supplement the activities of the Fulbright program under Public Law 584 of the 79th Congress. From the inception of the Public Law 480 program through December 31, 1957, a total of $23.2 million was earmarked for section 104 (h). As of December 31, 1957, the Department of State had actually completed 13 agreements with foreign governments, providing $7.48 million in local currencies for new agreements and for amendments to or extensions of existing agreements under the Fulbright Act.

After completion of a sales agreement, funds for a program are allocated by the Bureau of the Budget to IES. Subsequently, an agreement is reached between the United States Government and the local government on the broad terms of an exchange program. A binational commission and a secretariat are established in the foreign country. The commission explores the need for exchanges and submits a program for review and approval by IES in the Department of State at Washington, D. C., and by the Board of Foreign Scholarships, which has been set up under the provisions of the Fulbright Act. The secretariat performs administrative operations for the commission.

Although Public Law 480 was approved on July 10, 1954, it has required considerable time to implement the exchange program. Due to the binational character of the program and the time needed for selection, approval, and placement of the grantees, these procedures normally require from 18 to 24 months before a grantee actually arrives in his host country. As a result the exchange program under Public Law 480 barely got started in fiscal year 1956, with grants to only 23 persons. In 1957, there were 290 grants; 841 grants have been planned for fiscal year 1958; and 1,300 have been proposed for fiscal year 1959.

In implementing the exchange-of-persons program, foreign currencies generated by Public Law 480 may be used for the following purposes:

1. Travel, tuition, books, and maintenance for American grantees.
2. International and United States internal travel for foreign grantees.
3. Salaries of the secretariat and expenses of the binational commission.
4. Rent for offices of the binational commission.
5. Costs of orientation and other approved expenses incident to the program.

Since no United States dollars are available to the binational commission, only the travel of foreign grantees can be borne by foreign currency. The majority of the foreign grantees have private dollar support while in the United States; however, in some cases, dollar support is provided to these foreign grantees from appropriated dollars.

The following table shows the authorizations for educational exchange under section 104 (h) from the beginning of the program through December 31, 1957:

International educational authorizations

[Thousand dollar equivalent]

Country	Executive agreements		Country	Executive agreements	
	Authorized	Concluded		Authorized	Concluded
Argentina	$600	$600	Japan	$2,066	
Bolivia	200		Korea	900	
Brazil	980	980	Pakistan	1,050	$1,050
Chile	1,250	500	Paraguay	150	150
China (Taiwan)	750	750	Peru	500	500
Colombia	500	500	Philippines	750	
Ecuador	300	300	Portugal	300	
Egypt	750		Spain	600	
Finland	250	250	Thailand	600	400
Iceland	150		Turkey	750	750
India	1,800				
Indonesia	600		Total	16,546	7,480
Iran	750	750			

Several examples of programs supported follow:

In Iran, the funds made available under Public Law 480 are being used to reactivate an exchange program under the Fulbright Act. Foreign currencies resulting from the sale of CCC commodities, in the amount of $750,000, are being provided to cover a 3-year program at an annual rate of $250,000. In addition to the foreign-currency requirements, it is estimated that an annual $106,828 will be needed in appropriated funds. The IES advised that the proposed program will provide an opportunity to develop closer and more effective relationships with the two universities in Iran. It was stated that both of these universities are interested in modernization of their educational facilities along western lines by using American professors to establish new courses of study, to improve university organization, and to develop a sound program for student activities. In order to fulfill this objective, it is also felt essential to train some Iranian professors in the United States.

The Iranian agreement also provides $48,668 to assist the University of Teheran in establishing a school of journalism. In furtherance of this objective, it is proposed to provide 4 grants of $9,000 each to United States professors; 4 grants of $1,400 each to Iranian graduate students; 2 grants of $1,767 each for Iranian lecturers and research scholars; and 2 grants of $1,767 each for Iranian specialists.

In Pakistan $1.05 million in Public Law 480 funds has been allocated to bolster an existing exchange program because the funds for this program are being exhausted. It is proposed to use the allocated funds at the rate of approximately $350,000 per year for 3 years. One of the annual projects provides $61,224 to provide grants to 3 United States lecturers, 10 Pakistani teachers, and 10 Pakistani graduate students. It is planned to use these funds to improve educational theory and practice in secondary school education in Pakistan. It is proposed to conduct training workshops for Pakistani teachers and provide further training for Pakistani teachers in the United States.

In Ecuador, $300,000 has been allocated to start a new educational exchange program in that country. The IES proposes to use these funds over a 3-year period and it will require $44,320 annually in appropriated funds to supplement the local currency.

Officials of IES stated that Ecuador is one of the poorest countries of Latin America, but one most concerned about the education and welfare of its people. In 1 year IES plans to spend $27,858 to send 3 visiting United States lecturers to Ecuador and $44,320 appropriated dollars will be used to provide dollar supplementation to send 8 foreign teachers and 10 foreign students to the United States.

10. Section 104 (i)—Translation and publication

Responsibility for translation and publication under section 104 (i) has been placed with the United States Information Agency (USIA). Funds are authorized under this category on a nonreimbursable basis and were first made available in the beginning of fiscal year 1957.

From the beginning of the program through December 31, 1957, a total of $3.3 million has been designated to support programs under this category. Of this amount, $50,000 was programed for fiscal year 1957; $965,000 has been programed for fiscal year 1958; and slightly over $2 million is being proposed for fiscal year 1959. Foreign currency made available under this section is used to provide assistance in the translation, publication, and distribution at reduced prices of American textbooks for use in foreign schools.

A committee composed of representatives of the publishing industry in the United States, active in foreign markets, advises the USIA on the administration of the program, serves a liaison function with the publishing industry, and assists in obtaining professional and technical skills to aid in carrying out the program.

The case of Austria illustrates the programs carried out under this section. The Public Law 480 sales agreement provides $75,000 for translation and publication in fiscal year 1958. Plans are being made to use $46,400 to assist in translation, publication, and distribution in Germany and Austria of the publication U. S. A., Its Land, Its People, Its Industry. This publication is to be made available for school use and 50,000 copies are to be printed. In Austria also an estimated $8,000 is planned for use in fiscal year 1958 for the translation, publication, and distribution of a 3,000-copy edition of a dictionary of American management, commercial, and industrial terms. It is proposed that this publication will be used in German and Austrian schools to facilitate the translation of other books in the same field. In addition, in Austria the USIA proposes to use Public Law 480 funds in supporting annually the translation and publication of technical books. Current plans call for the translation and publication of reference books in medicine, chemistry, and physics. Three titles in 2,000-copy editions will cost approximately $8,100. In addition, approximately $8,250 is expected to be used for 4 books of 3,000 copies each. These will be textbooks and reference books concerned primarily with industrial and production engineering. The staff learned that in addition to the direct costs of the publications, the Public Law 480 funds for Austria will be used to cover editorial and administrative expenses totaling about $10,000. USIA recognizes that they have programed amounts in excess of available Public Law 480 funds

in Austria. Officials of USIA advised that adjustments will have to be made in the programs to conform with funds available.

In Colombia, $50,000 in foreign currency will be used to provide textbooks in economics, political science, English teaching, and possibly agriculture. Because of the devaluation of Colombian currency, this $50,000 will be equal to only $21,000, based upon current exchange rates.

The example of Finland provides another illustration of the use of Public Law 480 funds in the translation and publication program of the USIA. It is proposed to use the $250,000 earmarked for Finland in 1958 to purchase paper for use in the textbook publishing program in paper-short countries of the Near East and South Asia. Because of the devaluation of Finnish currency, this $250,000 is equal to only $180,000 based upon current exchange rates.

In Spain, $100,000 in foreign currency, based upon sales-agreement figures, is being programed in 1958 for textbooks in natural science, the humanities, social studies, English teaching, and technology. Due to devaluation of Spanish currency, this amount is equal to $90,000 at the present rate of exchange.

In Turkey, $100,000 in foreign currency has been programed for 1958 to provide textbooks in general elementary and secondary education and in business administration. Due to the devaluation of Turkish currency, this would amount to only $50,000 at current exchange rates.

The case of Iran represents still another example of the utilization of the Public Law 480 funds under this section. Although only $140,000 has been programed in Iran for 1958, it is estimated that total requirements will be more than $1 million to carry out a textbook publication program. It is hoped that part of the total requirements can be met by purchasing printing and binding equipment in Italy with Public Law 480 funds and by purchasing paper in Finland with Public Law 480 funds. It is thus estimated that USIA will be able to reduce the requirements for Public Law 480 funds in Iran by 60 percent.

11. Section 104 (j)—Information and education

Responsibility for information and education under section 104 (j) is shared by USIA and by IES in furtherance of their separate objectives. Funds for this category first became available in fiscal year 1957 and are provided on a nonreimbursable basis. As of December 31, 1957, $12.5 million had been earmarked for the purposes provided under this section. ISC has designated approximately half of the $12.5 million to USIA for information purposes, and the balance to IES for education purposes.

Information.—USIA has programed $1,216,000 for fiscal year 1958 and proposes $3,168,275 for fiscal year 1959. These funds are to be used to provide foreign currency assistance to binational centers and to provide more adequate space and facilities for these centers in foreign countries.

Programs for fiscal year 1958 include the following:

In Bolivia, USIA proposes to use $100,000 in Public Law 480 funds (equivalent to $98,000 at current United States Treasury selling rates) to construct a building to accommodate the binational center program.

In Brazil, USIA plans to use $341,000 in Public Law 480 funds (equal to $317,000 at current exchange rates) to provide quarters for

binational centers in 34 cities and to purchase and construct quarters for those centers having the largest and most active programs.

In Columbia, USIA plans to use $190,000 in Public Law 480 funds (equal to $81,000 at current exchange rates) to house binational centers in 3 cities.

In Peru, $85,000 in Public Law 480 funds is being provided to assist in the construction of a binational center building.

In Turkey, $500,000 in Public Law 480 funds (equal to $250,000 at current exchange rates) will be used for construction of the building to serve as headquarters for the Turkish-American Association in Ankara. The Turkish Government has indicated willingness to provide a location valued at $280,000 in the central section of Ankara. The Turkish-American Association is conducting a fund drive to equip and furnish the building. The building will be used to house the USIA library in Ankara and to provide facilities for traveling shows and exhibits.

Education.—Responsibility for education under section 104 (j) has been placed by Executive order with the Department of State and the administration of this program has been delegated to IES in the Department. Funds first became available in fiscal year 1957 and through December 31, 1957, a total of $6.355 million was designated by ISC for education purposes under this section.

IES has requested allocation of funds for 11 schools in 4 countries. These are: Brazil, $565,000; Colombia, $600,000; Greece, $500,000; and Italy, $552,000. An allocation of $1 million in Public Law 480 funds has been approved for use in Turkey. The following additional requests for the allocation of funds under this section are being prepared by IES as follows: Austria, $640,000; Bolivia, $100,000; Ecuador, $220,000; Italy, $448,000; Mexico, $500,000; Peru, $260,000; Turkey, $970,000.

Funds will be used to increase scholarships to children of foreign countries; to augment United States teachers' salaries; to improve the curriculum; and to assist in the erection of new buildings, thus providing more classrooms, laboratories, and living space.

The educational program for Greece illustrates the manner in which educational programs are developed by IES under this section. The agency has requested $500,000 in Public Law 480 currency to provide assistance to Anatolia College, Athens College, and the American Farm School in Greece.

Negotiations to implement this program were carried out for IES by the United States Embassy in Athens with the Greek Government. IES used the advice and guidance of the Near East College Association in New York, the board of directors for the American Farm School in New York, the president-elect of Anatolia College, and the executive secretary of the Fulbright Foundation in Athens. In developing a plan for the use of Public Law 480 funds it was necessary to coordinate the Public Law 480 plans with similar plans for assistance to these same schools under the Fulbright program and through private resources.

In regard to Anatolia College, it is proposed to spend $150,000 in Public Law 480 funds. Of this amount $80,000 will be used for the completion of a girls' dormitory; $20,000 will be used for the construction of living quarters for additional United States teachers; and the balance of $50,000 will be used to provide scholarships over

a 5-year period. It is estimated that this amount will provide 20 scholarships of $500 each annually. IES plans to discontinue a small Fulbright scholarship program at this school but to continue to provide United States teachers.

Consideration will be given to the expansion of the United States teacher program to lend greater American impact and to provide the increased instruction necessitated by scholarships available through local currencies generated by Public Law 480 sales.

V. Use of Agricultural Products Under the Mutual Security Program

A. LEGISLATIVE BACKGROUND

The ICA has the direct responsibility for administering the mutual security program. The first agricultural program, wherein surplus agricultural commodities were authorized for sale for foreign currencies, appeared in section 550 of the Mutual Security Act of 1953 (Public Law 118, 83d Cong.). Under this section, it was required that no less than $100 million and not more than $250 million of the funds authorized to be appropriated under the Mutual Security Act of 1953 were to be used during fiscal year 1954 to finance the purchase of surplus agricultural commodities, or products thereof, produced in the United States.

The President was authorized to enter into agreements with friendly countries for the sale and export of surplus agricultural commodities and accept in payment local currency for the account of the United States. The local currency proceeds were authorized to be used in much the same manner as the proceeds of Public Law 480 are now being used. The local currency uses specified in the act were as follows:

(1) For providing military assistance to countries or mutual defense organizations eligible to recieve assistance under this act;

(2) For purchase of goods or services in friendly countries;

(3) For loans, under applicable provisions of this act, to increase production of goods or services, including strategic materials, needed in any countries with which an agreement was negotiated, or in other friendly countries, with the authority to use currencies received in repayment for the purposes stated in this section or for deposit to the general account of the Treasury of the United States;

(4) For developing new markets on a mutually beneficial basis;

(5) For grants-in-aid to increase production for domestic needs in friendly countries;

(6) For purchasing materials for United States stockpiles.

The President was instructed by the act in negotiating agreements to take precaution to safeguard against the substitution or displacement of usual marketing of the United States agricultural products or those of friendly countries, and to assure that sales prices of the commodities were as consistent as possible with world market prices. The act also specified that private trade channels to the maximum extent practicable were to be used, and emphasis was to be given to underdeveloped and new market areas in making agreements. Assurance

was also required of the purchasing countries that the commodities received under the agreements would not be resold or transshipped to other countries or used for other than domestic consumption without the specific approval of the President.

The agricultural program under the Mutual Security Act of 1953 which operated throughout fiscal 1954 is commonly referred to as the section 550 program. The agricultural program under the Mutual Security Acts since 1953 which have operated since fiscal 1954 and which are still in operation are commonly referred to as section 402 programs.

The Mutual Security Act of 1954 (Public Law 665, 83d Con.), in section 402, specified that not less than $350 million shall be used to finance the export and sale of surplus agricultural commodities for foreign countries. This is in addition to the surplus agricultural commodities transferred under Public Law 480. The foreign currencies accruing from such sales were required to be used for the purposes of the Mutual Security Act and with particular emphasis on the purposes of section 104 of Public Law 480, which are in harmony with the Mutual Security Act of 1954. This authority applied to the fiscal year 1955.

The Mutual Security Act of 1955 (Public Law 138, 84th Cong.), revised section 402 with regard to the amount of surplus agricultural commodities to be financed. The Mutual Security Act of 1955 reduced the amount from $350 million to $300 million for the fiscal year 1956.

The Mutual Security Act of 1956 (Public Law 726, 84th Cong.), revised section 402 by reducing the amount to $250 million for fiscal year 1957.

The Mutual Security Act of 1957 (Public Law 85–141), again reduced section 402 requirements to $175 million for fiscal year 1958.

B. RELATIONSHIP OF ICA, DEPARTMENTS OF AGRICULTURE, DEFENSE, AND STATE IN ARRANGING SHIPMENTS UNDER SECTIONS 550 AND 402 OF THE MUTUAL SECURITY ACTS

1. International Cooperation Administration

ICA has the direct responsibility for administering the Mutual Security Act and in furtherance of the surplus agricultural sales program negotiates agreements with the foreign countries and issues purchase authorizations to private traders that export the commodities. In a few instances commodities have been acquired directly from CCC. Commodities sold under the agreements are required to be selected from the list, which is prepared by the Secretary of Agriculture, of commodities which are in surplus in the United States. The private traders (exporters) in completing these shipments may draw from their own stocks, from other exporters, or from CCC inventories. ICA is unable to furnish complete data on the quantities or value of commodities which have been acquired from CCC stocks and used for sections 550 and 402 programs by private traders. The private traders are not required to furnish information to ICA concerning the source of their supplies. ICA does maintain statistics on the total purchase authorizations that have been issued under the sections 550 and 402 programs. Schedules reflecting total quantities and export market values of commodities for the countries purchasing surplus agricultural commodities under the mutual security program are being shown later in this report.

2. Department of Agriculture

The only responsibility that the USDA has with the Mutual Security Act legislation, according to the act, is that the President is required to obtain recommendations of the Secretary of Agriculture in carrying out the provisions of the act pertaining to the use of surplus agricultural commodities. According to officials of USDA, the only participation between USDA and the mutual security program is that as commodities become surplus ICA is notified of the items which have been declared surplus and ICA is then required by law to use only such commodities that are so named.

Officials of the USDA advised that they cannot furnish complete information concerning the surplus agricultural commodities that have been used in the mutual security program which were acquired from CCC stocks. They state that when a private trader negotiates with CCC for commodities for export, at export prices, it is not necessary to determine whether the exporter will sell the commodities for local currencies under Public Law 480, or section 402, or for dollars. The officials of USDA stated that it would only be an educated guess that they could make concerning the amounts of CCC stocks used in the mutual security program—the guess being based on known commodities that are not normally stocked by exporters in large quantities and would necessarily be required to be purchased from CCC inventories in order to fill requirements of sales under the Mutual Security Act. USDA prepared a tabulation of CCC stocks acquired directly from CCC by ICA which is being set forth later in this report. This total, however, does not include CCC stock purchases by private traders, which information is not available.

3. Department of Defense

Officials of the DOD stated that ICA contacts the DOD early in each fiscal year to determine their anticipated military requirements for surplus agricultural commodities in the various foreign countries where we have military programs. The DOD, in addition to informing ICA of the anticipated need for agricultural commodities in its program, also furnishes ICA with an estimate of the local currency requirements the DOD will need in the same countries to meet the military budget support and local purchases. Officials of the DOD advised that both Public Law 480 and section 402 of the Mutual Security Act aids them in furnishing the required local currencies to augment their programs in the foreign countries. As the negotiations for section 402 agreements materialize, the DOD is furnished a draft copy of the negotiations which gives the DOD details concerning the commodities to be sold and the local currencies to be generated and available for programing. The DOD advised that the funds used by the military are programed and spent by the Chief of the Military Advisory Assistance Group in each country, and the funds are actually paid by the ICA mission serving in the same country. The military exercises physical control over the purchase and distribution of supplies acquired with the local currency and ICA exercises fiscal control over the funds, as well as audit of the funds.

4. Department of State

The Department of State function in the negotiation of section 402 sales agreements is carried out by the Ambassador serving in the

foreign country. The Department of State has the overall responsibility for negotiating with foreign countries and detailed negotiations are ordinarily conducted under the direction of the chief of the diplomatic mission. The Ambassador reviews these negotiations to be sure that policies reflected in negotiations are consistent with other Department of State policies for the particular country concerned.

5. Sales under section 402 of the Mutual Security Act

Officials of ICA have reported that they were hard pressed to attain the section 402 requirements for fiscal years 1956 and 1957, even though they were reduced by $50 million each year. The major reason for the difficulty was due to a shift of the mutual-security program from the Western European countries, traditionally large importers of agricultural products, to the underdeveloped areas whose economies are predominantly agriculture. In order to move the required surplus agricultural commodities, ICA required the various aid-receiving countries, in order to obtain a specified amount of assistance, to take some of the aid in the form of agricultural commodities. Quotas were assigned to the countries with due regard to the consumption requirements of the countries, the availability of the same commodities from other sources, and to other requirements for the funds. The quotas, however, still fell short of the minimum requirements of the act.

In order to comply with the minimum requirements of the act in 1956, ICA undertook to develop a limited number of "triangular" sales through which it financed surplus agricultural commodities for certain industrialized countries of Western Europe and used the local currency proceeds to buy the industrial items needed for countries participating in the mutual-security program.

Triangular sales were continued again in 1957 to enable ICA to meet the minimum requirements of section 402 for that year, even though the requirements had dropped another $50 million from fiscal year 1956.

For 1958, the requirements declined to $175 million. There are two general reasons for this reduction: First, the decrease in the number and amount of specific country programs which were developed for the fiscal year 1958 nonmiliary mutual-security program and, second, the proposed elimination of triangular sales of surplus agricultural commodities. For the first half of fiscal year 1958 purchase authorizations, plus ocean freight, have totaled only a little less than $67 million of the $175 million required by section 402, which falls considerably short of the program.

ICA proposes to eliminate triangular sales for fiscal year 1958 because (*a*) they tend correspondingly to reduce regular commercial sales, (*b*) they involve a disproportionately heavy administrative workload, and (*c*) they are inconsistent with United States foreign-trade policies. The Department of State has urged discontinuance of triangular transactions for this last reason.

The following two schedules show, by country, the quantities and market values of surplus agricultural commodities used in the mutual-security programs during the period beginning with fiscal year 1954 through December 31, 1957:

Procurement authorizations issued under secs. 550 and 402 of the Mutual Security Acts beginning with fiscal year 1954 through Dec. 31, 1957

[In metric tons]

Country	Bread grains	Coarse grains	Fats and oils	Meat	Fruit	Cotton	Tobacco	Other
Afghanistan	11,996							
Austria	30,000	113,500						
Bolivia	201,439	5,361	11,838			5,206		
Cambodia	22,000							3,143
Ceylon	25,700							
China (Taiwan)	759,180	32,300	48,261			79,989	50	
Denmark	17,300	40,000						
Egypt	68,886							
Finland						2,343	2,000	
France	365,000	216,000	22,620			150,439	6,300	
Germany	629,577	326,000	2,461			6,421	6,700	
Greece	715,601	72,100	14,200	2,930				27,000
Guatemala	47,000	19,051						448
India	591,500					20,911		
Iran	30,009							
Israel	459,328	128,500	2,393			6,292		
Italy		1,600	28,500			55,686	1,680	
Japan	568,867	109,284						
Korea	516,762	294,000	21,110			126,444		32,900
Laos	3,470							
Netherlands	50,000		14,963					
Norway	9,193	9,000	1,611					
Pakistan	110,000							17,453
Philippines		10,000				7,983		
Spain	16,000	73,900	76,500	13,334		99,738		
Turkey	188,000							
United Kingdom		190,000	104,265	6,615	275,560	16,174	13,154	
Vietnam	157,349		1,700					15,838
Yugoslavia	885,308		16,970			31,760		
Total	6,479,465	1,640,596	367,392	22,879	275,560	609,386	29,884	96,782

NOTE.—This schedule does not include dairy products since ICA maintains no record of tonnage on dairy products.

Procurement authorizations issued under secs. 550 and 402 of the Mutual Security Acts beginning with fiscal year 1954 through Dec. 31, 1957

[In thousands of dollars]

	Bread grains	Coarse grains	Fats and oils	Meat	Fruit	Cotton	Tobacco	Other [1]	Ocean transportation	Total
Afghanistan	794								378	1,172
Austria	1,766	7,905							1,198	10,869
Bolivia	13,534	826	4,436			3,844		720	3,417	26,777
Cambodia	1,547							2,034	267	3,848
Ceylon	2,240									2,240
China (Taiwan)	47,237	2,232	12,360			54,311	98	2,697	9,037	127,972
Denmark	1,190	2,162							648	4,000
Egypt	5,064								183	5,247
Finland						1,977	2,950			4,927
France	21,995	13,400	8,585			113,630	5,443		3,018	166,071
Germany	41,832	18,900	1,264			5,224	9,903		7,617	84,740
Greece	56,038	5,138	5,643	1,645				4,961	606	74,031
Guatemala	4,031	1,321						59	345	5,756
India	51,028					16,018				67,046
Iran	1,967							300	710	2,977
Israel	34,233	8,823	1,196			4,989				49,241
Italy		250	6,351			45,942	2,148			54,691
Japan	41,529	6,858								48,387
Korea	32,980	17,828	4,586			84,421		6,618	11,603	158,036
Laos	180							190		370
Netherlands	3,510		4,000						200	7,710
Norway	543	612	1,120							2,275
Pakistan	6,123							3,110	3,535	12,768
Philippines		1,050				5,862		36,389		43,301
Spain	1,250	3,833	25,394	6,930		88,185		3,555	377	129,524
Turkey	12,571							3,094	1,396	17,061
United Kingdom		13,489	33,245	3,665	56,015	10,085	20,000		2,766	139,265
Vietnam	12,336		503					21,537	433	34,809
Yugoslavia	54,499		5,355			25,788		933	9,965	96,540
Total	450,017	104,627	114,038	12,240	56,015	460,276	40,542	86,197	57,699	1,381,651

[1] Includes dairy products in the amount of $60,913.

6. Sales to ICA by CCC for sections 550 and 402 use

The following tabulation was furnished by the fiscal division of Commodity Stabilization Service, USDA, and represents commodities acquired directly from CCC by ICA from the beginning of fiscal year 1954 through November 30, 1957, for use under sections 550 and 402 of the Mutual Security Acts. The commodities shown in this schedule are a part of and not an addition to the total authorizations reflected in the two previous schedules.

[In thousands]

Commodity	Unit of measure	Quantity	CCC cost value	Sale price
Peanuts, shelled	Pound	12,600	$2,171	$1,293
Wheat	Bushel	38,688	113,008	104,321
Milk, dried	Pound	4,065	767	535
Beans, dried	Hundredweight	132	1,211	1,283
Cottonseed oil, refined	Pound	112,127	20,855	14,833
Cotton	Less than 500 bales		10	40
Rice, milled	Hundredweight	118	1,452	924
Corn	Bushel	714	1,504	1,221
Linseed oil	Pound	1,113	296	202
Wool	do	2,027	1,438	1,483
Seed, winter cover crop	do	98	45	26
Total			142,757	126,161

COMMENTS OF THE DEPARTMENT OF AGRICULTURE WITH RESPECT TO A REPORT OF THE COMMITTEE ON APPROPRIATIONS, UNITED STATES HOUSE OF REPRESENTATIVES ON SURPLUS AGRICULTURAL COMMODITY PROGRAMS, UNDER SECTION 32, PUBLIC LAW 320 (74TH CONG.), PUBLIC LAW 480 (84TH CONG.), MUTUAL SECURITY ACTS, UNITED STATES DEPARTMENT OF AGRICULTURE

The report of the above-mentioned activities by the survey and investigating staff of the House Appropriations Committee is an excellent and accurate description of the activities in connection with these programs. The Department, however, would like to submit a few additional comments for the committee's consideration.

The report on pages 5 and 6 states that—

> In fiscal year 1957, export payments were made on wheat and wheat flour exported in fulfillment of obligations of the United States under the International Wheat Agreement * * *

Whereas this is an accurate statement, we deem it advisable to point out that export payments that were made on wheat and wheat flour exported in fulfillment of the obligations of the United States under the International Wheat Agreement were of a temporary nature (June 19, 1956, through September 4, 1956), pending the ratification and implementation of the 1956 wheat agreement.

An excellent description of the points considered in the implementation of a section 32 program is outlined on pages 10 through 12, however, we believe it is well to point out that there is a certain amount of flexibility in the standards set forth. The standards or rules followed by the Department and outlined in the report are not intended to be ironclad and completely inflexible. They are intended to provide a basis for analyzing requests for industry assistance and suggest general limitations concerning eligibility as well as the type and degree of assistance granted.

The report on page 13 lists the domestic outlets and the responsibilities of the Department and the States; however, it doesn't indicate that the States are responsible for making the determination as to needy people who are eligible for donations.

As to foreign donations, we wish to advise the committee that in addition to the steps taken, as outlined on page 58 of the report, that the United States mission or Embassy screens the requirements as to the general level of assistance and the relationship to other United States Government programs.

LIST OF WITNESSES

	Page
Abrahamsen, M. A	688
Bagnell, D. B	148
Barnard, C. C	703
Bawcombe, W. E	899
Betts, E. C., Jr	841
Bucy, C. W	899
Burmeister, Gustave	917
Byerly, Dr. T. C	427
Clarkson, Dr. M. R	427
Colby, M. E	1066
Currie, D. A	1048
Dashner, L. A	1048, 1066
Dunn, D. A	703
Elting, Dr. E. C	427, 628
Evans, G. E	1066
Farrington, R. L	899
Ferguson, C. M	645
Fraser, G. O	917
Fretts, C. A	1066
Gardner, K. B	688
Garnett, Gwynn	917
Grant, C. L	427, 645, 688, 705, 841, 878, 893, 899, 917
Hansen, K. H	703
Holliday, M. H., Jr	703
Hyde, G. O	841
Ioanes, R. A	917
Irving, Dr. G. W., Jr	427
Kaufman, Morris	841
Kauffman, R. R	1048
Kepner, P. V	645
Knapp, J. G	688
Knoblauch, Dr. H. C	427
McCartney, F. N	1066
McCormick, J. H	878
McLean, M. L	1066
Minor, W. A	917
Mohrhardt, F. E	893
Morrow, T. E	917
Mynatt, E. F	899
Nikkel, E. H	1066
Paarlberg, Don	917, 1048
Peterson, E. L	427, 645, 688
Roberts, R. S	841, 878, 893
Samuels, J. K	688
Schruben, L. M	645
Scott, K. L	703
Shaw, Dr. B. T	427
Shulman, E. M	899
Skeffington, J. P	1066
Smith, H. C	703
Stephens, Edmund	427
Stiebeling, Dr. H. K	427
Tetro, R. C	917
Walker, H. D	688
Webster, R. L	878
Yates, Galen	878

INDEX

A

Page

Agricultural Research Service 427
Advisory committees 433, 437
Agricultural engineering research 500, 530
Animal disease and parasite research 483, 506, 524
Animal disease control 595
Brucellosis eradication 454, 599, 610
Meat inspection 614
Quarantine work 611
Screwworm 432, 489, 609
Animal disease research laboratory 474
Animal husbandry research 481, 501
Basic research 459
Brucellosis eradication 432, 454, 470
Costa Rica, agricultural laboratory in 443
Crops research 485, 508
Aster yellows of flax 520
Cereal crops 536
New crops, use of 513
Ornamental crops research, reduction in 521, 531
Dairy husbandry research 502
Dual-purpose cattle research, reduction in 502, 510, 525
Director, general statement of 453
Diseases of animals and poultry 626
Entomology research 488
Farm economics research 492
Farm housing research, reduction in 523, 530
Farm research 479
Funds for, increase in 461
Fur-animal husbandry research, reduction in 505, 525
Home economics 455
Home economics research 557
Selection of new projects 564
Industrial use of agricultural commodities 438, 450
Industry contribution to research work 545
Latin American countries, need for research in 447
National Arboretum 443, 488, 522, 528
Personnel:
Availability of suitable 447, 462, 562
Research workers, salaries of 448
Pioneering research laboratories 460
Plant disease and pest control 566
Contingency fund, withdrawal of funds from 574, 586
DDT, use of 575
Federal and State participation in plant-pest control program 576
Fire ant 431, 573, 582
Gypsy-moth eradication program 567, 574, 581
Mediterranean fruitfly 453, 572, 586, 590
Quarantine work 437, 593
Control against introduction of foreign pests and diseases, cost of 591
Customs Service, fund turned over to 587
Florida, financing quarantine work in 587
Witchweed 584

Agricultural Research Service—Continued Page
Poultry research 501
Production research, importance of 513
Production research, reduction in 503
Quality requirements of foreign countries on United States crop exports 440
Redirection of farm research 436, 441
Reductions proposed in farm research 524
Reorganization of 456
Salaries and expenses 475
Safflower, research on 511, 514, 516, 553
Sheep and goats, reduction in research on 504, 524
State experiment stations 628
Utilization research 643
Sugar-sorghum research, elimination of 509, 526
Tung-nut research reduction in 511, 512, 515, 527
Utilization research and development 429, 456
Amount of funds for 445, 515
Cereal crops 536
Cotton 542
Fruits and vegetables 544, 551, 552
Increase in 444, 461
New plants 553
Objectives of 532
Patents issued 535, 540
Poultry, dairy, and animal products 554
Progress in, examples of 533, 555
Public Law 480 funds, use in foreign countries 429, 433, 441, 445, 451
Control of 436
Letter of Assistant Secretary Peterson 433
State experiment stations 643
Wool 542
Value of agricultural research 460

C

Commodity Exchange Authority 1048

E

Extension Service 645
Cooperative extension work, payments and expenses 645
County agents 665
Number of 673
Salaries of 670, 671, 674, 676, 681
Increase in funds for 672
Indians, work with 678
Rural development program 677, 680, 683
Scope report 653
Sources of funds available for 649, 671

F

Farmer Cooperative Service 688
Capital in Farmers' cooperatives, 1949–54, revolving of 698
Milk marketing cooperatives, assistance to 699
Salaries and expenses 688
Selected farm supplies, variations in inventory turnover for 697
Travel expenses 699
Farm debts and taxes 496, 497, 498
Farmers' Home Administration 703
Administrator, statement of 762
Applications and land loans made 785
Chattel loans, insuring of 789
Debt settlement activity 766
Director, Agricultural Credit Services, statement of 759
Disaster loan and revolving fund 749, 761, 788, 798, 814, 834
Condition of 839
Disaster areas, loan assistance in 775

Farmers' Home Administration—Continued
Disaster loan and revolving fund—Continued
Page
Emergency loans, administering 779, 801
Government-insured loans 788, 798
Loans by States 835
Employment since 1952 801
Farm credit policies 830
Farm housing loans 744, 765, 790
Farm operating loans 724, 765, 796
Farm ownership loans 708, 758, 764, 796
Farm tenant-mortgage insurance fund 758, 796
Interest rate on insured and direct loans 771
Liquidations, number of 824
Loan authorizations 703, 764
Level of 833
Proposed consolidation of 767, 813
Loans outstanding 771
Loan volume 759, 763
Private lenders, loans by 773
Production and subsistence loans 803
Repayments, status of 774
Rural-development program 807, 829
Salaries and expenses 705, 766
Soil and water conservation loans 734, 765
Transfer of loan funds 769
Farm income 493, 494
Farm purchases, credit sources for 497
Federal Crop Insurance Corporation 1066
Agent's commission rates 1101
Budget program, 1959 1082
Capital, status of 1104
Contract sales and servicing 1099
Cotton coverages and rates 1093
Counties terminated in 1957 1094
County administration 1102
Disaster relief and crop insurance 1094, 1097, 1105
Expansion of program 1080
Experience, review of 1090
Flax loss 1092, 1094
Fourteen dust-bowl counties 1093
Loss adjustment 1102
Loss ratios, 1948–57 1084
Multiple-crop insurance, expansion of 1103
Operating and administrative expenses 1066
Personnel 1104
Premiums and indemnities 1084, 1085–1089
Private companies, interest of 1095
Soil bank, effect of 1099
Tobacco program, 1958 1096
Underwriting procedure, revision of 1081
Foreign Agricultural Service 917
Agricultural attachés 933, 940, 941
Agriculture trade fairs 1016
Exports:
Agricultural exports 953
Dollar export, expansion of 938
Monetary situation, importance of 939
Record set in 1957 922, 936
Subsidies, effect of 955
Subsidy, exports moved without 943
Tobacco export difficulties 1002
Financial condition of foreign countries 948
Foreign competition 937
Foreign market development 939, 959, 965
Import-control program 1046
Informational foreign currency schedule 918
Loans to buy agricultural commodities 1001
Market development work 959, 965

Foreign Agricultural Service—Continued Page
Personnel 1001
Price-support program, effect of eliminating 958
Public Law 480. (*See* this subject, this index.)
Reciprocal Trade Agreement Act, extension of 945
Reduction of price of commodities, effect on foreign consumption 959
Refugees, help for 1005
Salaries and expenses 917, 920, 940
Section 32. (*See* this subject, this index.)
Summary of situation by commodities 1018
Surplus agricultural commodity programs, Investigation of 1017, 1108
Trade barriers, overcoming of 1007

G

General Counsel, Office of the 899

I

Information, Office of 878
Employment figures 890
Television service 889
Publication distribution 888
Salaries and expenses 878
Yearbook of Agriculture 887, 890

L

Library 893

N

National Arboretum. (*See* Agricultural Research Service.)

P

Patents issued to utilization research branches 535, 546
Production, costs and returns 495
Production per acre and per animal 498
Public Law 320, surplus agricultural commodity program, investigation of 1108
Public Law 480:
Activities under 974
Costs, allocation of 951, 957
Latin America, program in 950
Local currency, use of 996
Sales objective of 966
Surplus agricultural commodity program, investigation of 1108
Transfer authorizations under title II 1000
Use for research other than utilization research 441
Utilization research in foreign countries. (*See* Agricultural. Research Service.)

R

Research. (*See* Agricultural Research Service.)

S

Secretary, Office of the 841
Administrative assistant Secretary, statement of 855
Forest service appeal cases 863, 875
Mail handling procedures 863
Milk-market agreements, investigation of handling of 857
National Agricultural Advisory Commission 872
Personnel and average salaries 869, 877
Salaries and expenses 841
Travel expenses of hearing examiners 855, 874
Section 32:
Program, status of 960
Market promotion 963
Perishable commodities, movement of 973
Soil and water conservation 455, 461, 471, 490, 522, 529
Surplus agricultural commodity programs, investigation of 1108

○